

TULLOW OIL PLC
2014 ANNUAL REPORT & ACCOUNTS

AFRICA'S LEADING INDEPENDENT OIL COMPANY



TULLOW
Oil PLC

2014 IN SUMMARY



CASH FLOW

\$1.5 BILLION

pre-tax operating cash flow
> page 58

EXPLORATION

4/7 WILDCAT

commercial discoveries in Kenya
> page 32

PORTFOLIO MANAGEMENT

SALES COMPLETED

of non-core gas assets in UK & Norway
> page 36



DEVELOPMENT

TEN

Project on track and on budget

TEN SPECIAL FEATURE

**REALISING OUR
POTENTIAL**



Our special feature focuses on Tullow's development of the Tweneboa, Enyenra and Ntomme (TEN) fields offshore Ghana. The project is on target to deliver first oil in mid-2016 on time and on budget and our special feature tracks the project's progress so far and milestones to come.

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About the report

Each year, Tullow Oil aims to produce an open, transparent and balanced Annual Report which gives an honest portrayal of our performance, strategy and impacts. We also publish, approximately one month after this Annual Report, our Sustainability Report which gives greater detail on our sustainability performance and objectives. Each year we try to improve our reporting and we welcome feedback on how well we are doing.

Please give us your feedback: ir@tulloil.com

You can find this report and additional information about Tullow Oil on our website www.tulloil.com





PRODUCTION

75,200 BOEPD

Group working interest production

> page 34

FUNDING

\$650 MILLION

second corporate bond issue strengthens the Group's balance sheet

> page 36

EXPLORATION WRITE-OFF

\$1.7 BILLION

write-off of unsuccessful exploration activities in 2014 and prior years

> page 36



EHS SCORECARD

41/48

score against 16 performance indicators

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SHARED PROSPERITY

\$1,395 MILLION

socio-economic investment

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OUR PEOPLE

72%

engagement score across the Group

> page 46

Group	2014	2013
Sales revenue (\$m)	2,213	2,647
Operating (loss)/profit (\$m)	(1,965)	381
Net (loss)/profit after tax (\$m)	(1,640)	216
Basic earnings per share (cents)	(170.9)	18.6
Pre-tax operating cash flow (\$m)	1,545	1,901
Dividend per share (pence)	4.0	12.0

AFRICA'S LEADING INDEPENDENT OIL COMPANY

Tullow Oil is a leading independent oil and gas exploration and production company. Our focus is on finding and monetising oil in Africa and the Atlantic Margins. Our key activities include core exploration campaigns, selective development projects and growing our high-margin production. We have a prudent financial strategy with diverse sources of debt and funding.

Our portfolio of over 130 licences spans 22 countries and is organised into three regions. At the end of 2014, we had a total workforce of approximately 2,000 people, with 50% of these working in our African operations.

We are headquartered in London and our shares are listed on the London, Irish and Ghanaian Stock Exchanges.

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WHERE WE OPERATE

West & North Africa

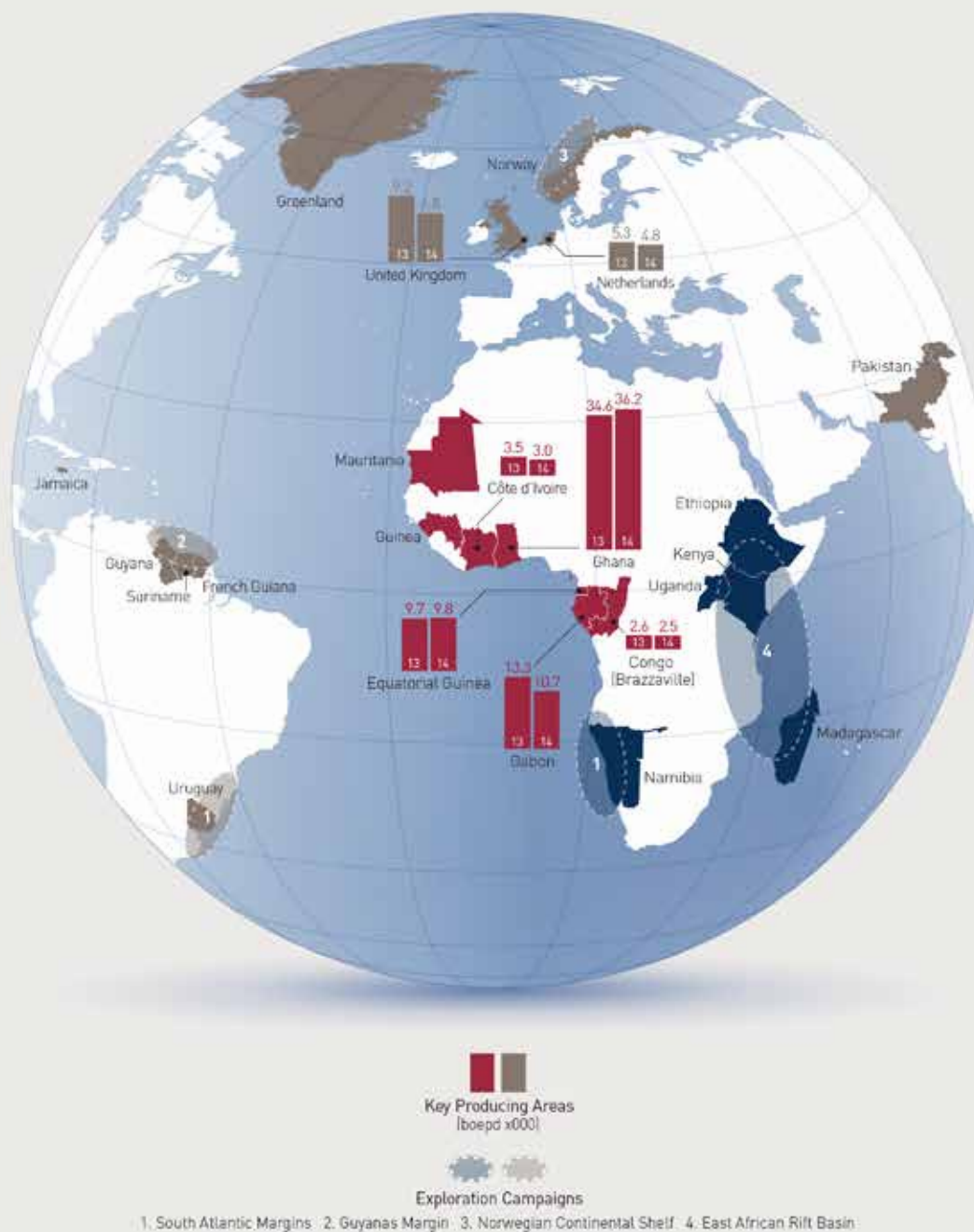
This region contributes the majority of Tullow's production which comes from Ghana and our non-operated assets in West Africa, providing cash flow to help fund the Group's operations.

South & East Africa

Tullow considers this region to have great potential for exploration and future development. The Group is focused on its Uganda and Kenya exploration and appraisal campaigns and progressing developments.

Europe, South America & Asia

This region consists of future frontier exploration acreage as well as some of Tullow's mature non-core gas production assets.



OPERATIONS IN
22 COUNTRIES

LICENCES
136

ACREAGE (SQ KM)

330,250

TOTAL WORKFORCE
2,042

COMMITTED TO CREATING VALUE FOR SHAREHOLDERS & HOST COUNTRIES

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The world-class Jubilee field is Tullow's flagship producing asset. It produced an average of 100,000 barrels of oil per day in 2014.

PRINCE AMOAKO
JUBILEE FIELD PRODUCTION SUPERINTENDENT, GHANA



SIMON THOMPSON CHAIRMAN

BALANCING RISK & REWARD IN A CHALLENGING MARKET

2014 was a challenging year for the oil industry and for Tullow, which was reflected in our financial and share price performance.

DEAR SHAREHOLDER

For some years, cost pressures have been building across the industry, which have depressed returns on new projects, despite high oil prices. The industry as a whole, including Tullow, has also experienced low levels of commercial exploration success. Over the past three-to-four years, oil production from unconventional oil shale projects in the USA has experienced major growth. This has come at a time when demand from the developed world has been subdued and demand growth from China and the other major emerging economies has slowed. The growing imbalance between supply and demand was brought to a head at the OPEC meeting in November 2014 when low-cost producers, including Saudi Arabia, signalled that they were no longer prepared to cede market share to accommodate rising production from the USA. As a result of these pressures, the oil price collapsed from a peak of \$115/bbl in mid-2014 to \$53/bbl at the end of the year. The combination of high costs and falling prices means that the whole industry faces a significant margin squeeze until operating and capital costs can be reduced to more sustainable levels, a process that is already under way.

Responding to change

Throughout the year, Tullow responded to the changing landscape. At the beginning of 2014, we took the decision to reduce our future expenditure on complex deepwater exploration until the costs of exploration and development reduced sufficiently to render the risk/reward ratio attractive once again. When the oil price started to fall in mid-2014, we moved even more decisively to reduce our overall exploration budget from \$0.8 billion in 2014 to approximately \$0.2 billion in 2015, in order to conserve cash and refocus our exploration programme on lower-cost onshore and low complexity offshore exploration and appraisal that have the potential to yield early production and cash flows.

Prioritising shareholders' interests

A core part of our strategy over the past few years has been to monetise our exploration success by selling part of our equity interest to fund the development of new projects. As industry conditions deteriorated, and competition for assets reduced, it became clear that this part of our strategy was no longer in the best interests of our shareholders. We therefore decided to retain our full stake in the TEN

"Our focus is on maximising cash flow from our existing producing assets and advancing our world-class portfolio of development assets in Ghana, Kenya & Uganda."

Project in Ghana. We took steps to strengthen and diversify our balance sheet by issuing a second bond in early 2014. We also reallocated our capex to projects, such as TEN, that will generate new production and cash flow in the short-to-medium term, and protected part of the downside risk on our existing producing assets by hedging some 60% of our 2015 entitlement oil sales with an average floor price of around \$86/bbl.

Prudent financial management

Despite these steps, 2014 was still a difficult year. Production was down on the prior year at 75,200 boepd, primarily due to European gas asset sales, field performances and lower Gabon production because of licence disputes. As a result, revenues dropped from \$2.6 billion in 2013 to \$2.2 billion in 2014. The Board has carefully reviewed the exploration assets held on the balance sheet, writing off a total of \$1.7 billion exploration costs. This write-off includes a number of past activities predominately associated with offshore drilling in French Guiana and Mauritania, and while these assets have been written-down to zero, they remain in our portfolio and in due course could have value for your Company. A further assessment of the likely date of receipt for certain Uganda project approvals was carried out at the end of the year. With FID now expected towards the end of 2016, a charge of \$0.4 billion has been recognised in the income statement for the year as we no longer expect to receive the contingent consideration due from the Partners.

In common with other oil companies, we also impaired the carrying value of our producing assets as a result of lower oil price assumptions and higher decommissioning costs. The effect of the write-offs and impairment charges was to reduce net income after tax from \$0.2 billion in 2013 to a loss of \$1.6 billion in 2014. In view of the fall in the oil price, the Board is recommending that no final dividend be paid this year, bringing the total payment for the year to 4 pence per share. At a time when Tullow is focusing on capital allocation, financial flexibility and cost reductions, the Board believes that Tullow and its shareholders are better served by investing these funds into the business.

Creating in-country value

Despite the turbulent market conditions, we have not lost focus on our objective of creating long-term value in the countries where we operate. We continue to invest in building capacity and expertise to improve our community engagement

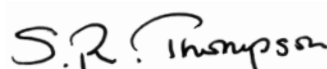
and social performance, and our leadership position on transparency of payments to governments has been widely recognised. We have also reinforced our commitment to the safety of our workforce and the protection of the environment, and our zero tolerance approach to bribery and corruption.

An exceptional team of people

In these unsettled times we are more than ever reliant upon the talents, enthusiasm and commitment of our people. I have been impressed by the way in which the whole organisation, led by Aidan Heavey and the other members of the Executive team, has moved quickly to refocus and streamline the business to deliver our revised strategy. During the year we also welcomed Mike Daly to the Board, who brings directly relevant experience of the oil industry and has already made a valuable contribution to our debates.

Ready for a revival

The oil industry is cyclical. As majors and independents alike cut back or defer capital investment in new production in response to lower prices, the industry is already creating the conditions for a revival of the oil price. In the Chief Executive's Review, Aidan Heavey sets out the future strategy and prospects for Tullow, which the Board fully endorses. I am confident that we will emerge from the current downturn with a leaner, more cost-conscious organisation. Our operating and development capabilities will be enhanced and our entrepreneurial and exploration expertise will remain. We will be both willing and able to respond to the opportunities that the market will undoubtedly present. But in the meantime, our focus is on maximising cash flow from our existing producing assets and advancing our world-class portfolio of development assets in Ghana, Kenya and Uganda.



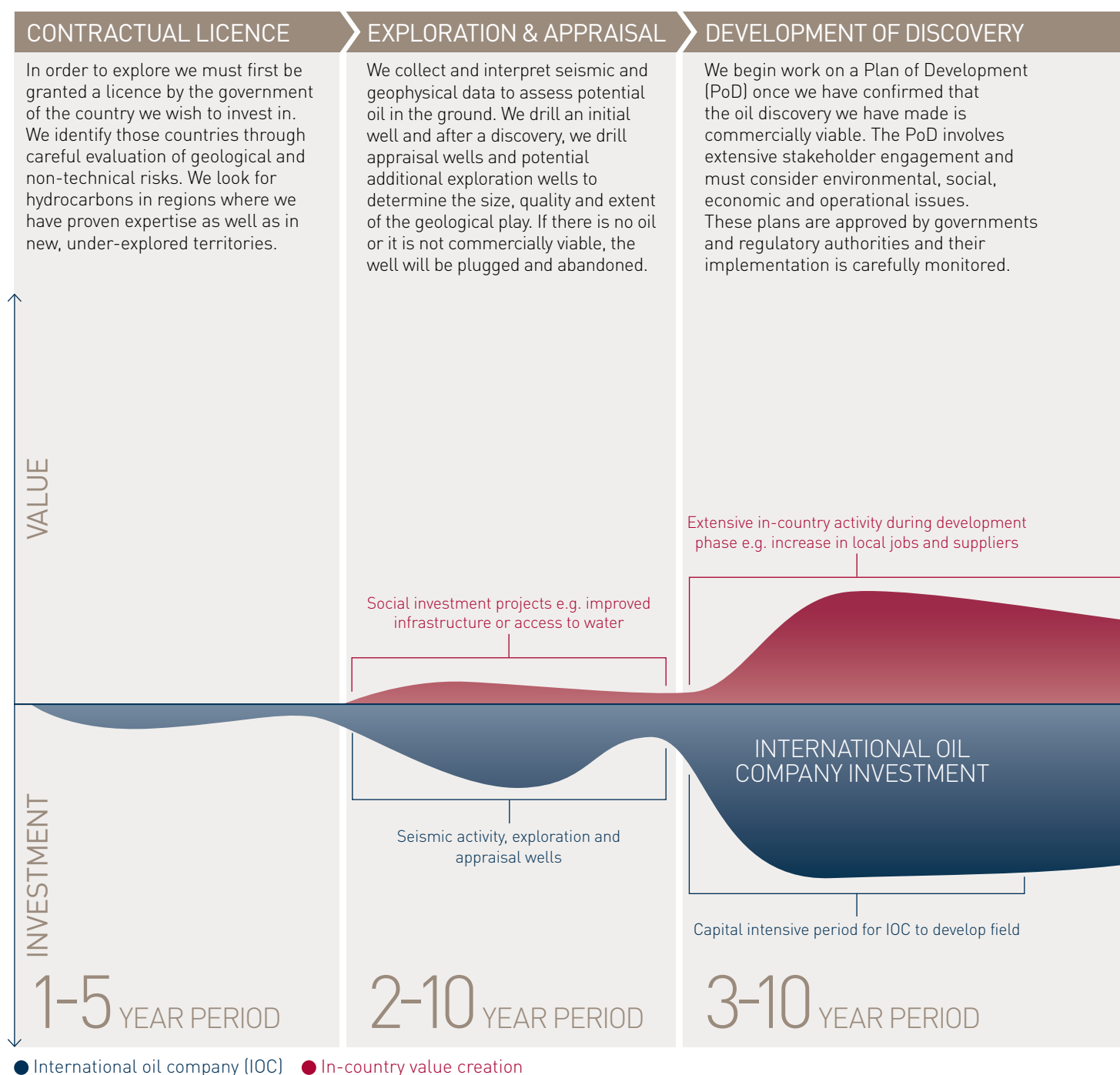
Simon R Thompson
Chairman

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CREATING VALUE ACROSS THE OIL LIFE CYCLE

We want our contribution to the global oil life cycle to bring tangible and sustainable value to the groups that should benefit from our presence.



THE VALUE WE GENERATE

We aim to create sustainable long-term value growth through our operations across the oil life cycle. While our shareholders are always our key focus, we believe it is equally important to create in-country value for a wider group of beneficiaries including employees, governments, local suppliers and communities. This value is not purely focused on financial returns, it also comes from local employment, local sourcing of goods and services, capacity building and improved standards of living. We call our approach to achieving this value 'shared prosperity' and we aim to ultimately create a positive and lasting contribution to economic and social development in the communities and countries where we operate. This approach should ultimately bring further benefits to our shareholders.

Shared Prosperity > page 48

PRODUCTION

Successful developments should be carried out in the most cost-effective way, without compromising high safety standards, and with regard for the environment and local communities that may be affected by our work. Production can last many decades.

DECOMMISSIONING

When production ceases, facilities are decommissioned and the location is fully remediated.

Cost-effective production provides high-margin cash flow to the IOC. Cash flow for the IOC is dependent on oil price, expenditure and the agreed licence terms

INTERNATIONAL OIL
COMPANY TAKE

IN-COUNTRY
VALUE CREATION

Monetary value from production tax and royalties

FIRST OIL

Investment by IOC to maintain
maturing production

20-50 YEAR PERIOD

3-10 YEAR PERIOD

This is an indicative life cycle. Timings and values are generalised for illustration only.

HOW WE RUN OUR BUSINESS

Tullow is a leading global independent exploration and production company. Our business model shows the parts of the Group that work together to run our business and create value.

How we create value

We create value in two ways: we find oil and we sell oil. To achieve this we execute successful exploration campaigns, deliver selective development projects, maintain our production and ensure we are suitably financed through a mix of diverse funding options and portfolio management. These elements are the basis of our strategy which is explained in detail on page 14.



WHAT DIFFERENTIATES TULLOW?

The skills, experience and reputation we call upon across the seven elements of our business model are what we believe sets Tullow apart from its peers.

Area of operations

Exploration & Appraisal

Execute high-impact E&A programmes.

> page 32

Development & Production

Deliver selective development projects. Ensure all major projects and production operations focus on increasing cash flow and commercial reserves.

> page 34

Finance & Portfolio Management

Continually manage financial and business assets to enhance our portfolio, replenish upside and support funding needs.

> page 36

Responsible Operations

Achieve safe and sustainable operations, minimise our environmental and social impacts, and achieve the highest standards of health and safety.

> page 38

Governance & Risk Management

Achieve strong governance across all Tullow activities and maintain an appropriate balance between risk and reward.

> page 40

Organisation & Culture

Build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair.

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Shared Prosperity

Create sustainable, transparent and tangible benefits from the presence of oil in host countries.

> page 48

How we run our business

Our business model addresses the fundamentals that we must have in place to manage our risks and help us deliver our strategy. These include strong and effective risk management, high standards of governance, transparency and anti-corruption, developing a multi-disciplined and diverse entrepreneurial team and making a positive and lasting contribution where we operate.



Throughout this report you will see our business model icon. In most instances, areas of the icon will be shaded to indicate the element of our business model the content relates to.

	What differentiates us	How we measure success
	<ul style="list-style-type: none"> • An industry leading acreage position • Discoveries to date provide 4 billion boe risked upside potential • Strong track record with five new basins opened in the last nine years • Centre of excellence provides advanced geophysical capability 	<ul style="list-style-type: none"> • Finding costs per boe • New basin openings • Resource growth and portfolio replenishment
	<ul style="list-style-type: none"> • A portfolio of world-class assets and best team of people • A focus on developing high-margin oil from our own discoveries • A track record of delivering major developments on time and on budget • Our expertise in sustaining mature, low-cost production 	<ul style="list-style-type: none"> • Operational targets • Safe delivery of all projects on time and within budget
	<ul style="list-style-type: none"> • We are well funded with sufficient facility headroom • Financial discipline is key to our decision making • We do not have any near-term maturities in our debt profile • Significant hedging programme in place • Strong, long-term relationships with our banks 	<ul style="list-style-type: none"> • Operating cash flow; cash operating costs per boe • Funding; debt profile; gearing • Capital expenditure and cost management targets • Realised commodity prices
	<ul style="list-style-type: none"> • We have an integrated management approach to technical, social, safety, health and environmental risk across all operations • We have zero tolerance of any unsafe or illicit activities • We manage the EHS risks of our suppliers through out contracts and supply chain process 	<ul style="list-style-type: none"> • Continued operations with minimal disruption • Safety, Sustainability & External Affairs scorecard
	<ul style="list-style-type: none"> • A named Executive is responsible for designated strategic risks • The recently formed Executive Committee supports the Executive team • We have over 25 years of experience in Africa • We have zero tolerance of bribery and corruption and a transparent contracting process • Our reputation that host governments value when awarding licence awards 	<ul style="list-style-type: none"> • Aligned Group-wide risk management and assurance • Code of conduct training and certification • Compliance issues, whistle blowing calls and investigations
	<ul style="list-style-type: none"> • Aidan Heavey, our founding CEO, leads the Company and instils an entrepreneurial culture • 72% engagement in staff and low staff turnover • All employees are given the opportunity to participate in employee share plans 	<ul style="list-style-type: none"> • Recruitment and retention of key roles • Results of annual engagement survey
	<ul style="list-style-type: none"> • We have a long-term view • 83% of our permanent staff in Africa are nationals • We recognise the strategic benefits of maximising local suppliers; and have a requirement for local content in our international contracts • Significant investment in capacity building, technology and skills transfer for local people and companies 	<ul style="list-style-type: none"> • Total economic contribution to countries where we operate • Direct and indirect employment • Local content

A DIFFERENT OIL & GAS INDUSTRY

2014 was a challenging year for the conventional oil sector, with falling oil prices, high costs and increased investor interest in US shale plays.

Economic & political overview

The global economic recovery continued in 2014, driven predominately by the US where gross domestic product (GDP) increased by 2.5% year-on-year. In contrast, Europe struggled to gain momentum throughout the year, with manufacturing and productivity stalling. This led to the European Central Bank (ECB) cutting refinancing in an effort to return inflation to its 2% target over the medium term.

The UK economy produced a robust performance over the year with a strong Purchasing Managers Index (PMI) and unemployment falling to its lowest level since 2008. Elsewhere, Chinese growth continued to cool, whilst the Bank of Japan extended easing measures to stave off deflation. Global geopolitical fears included the Russian-Ukrainian conflict, Syrian civil war, tensions in Gaza and re-emergence of Iraq concerns.

Equity markets

2014 was a volatile period for global equity markets. Of the major global indices, the FTSE 100 was one of the least volatile performers, trading within an 11.3% range and ending the year 2.7% lower.

The market was hit by a significant sell-off in the autumn and oil and gas stocks were hit hard as the oil price fell. Exploration and Production (E&P) investors had already shifted their focus to US shale companies at the expense of the European E&P sector. Tullow ended the year 51.6% lower, compared to the wider European E&P sector which lost 13.4%.

Oil price

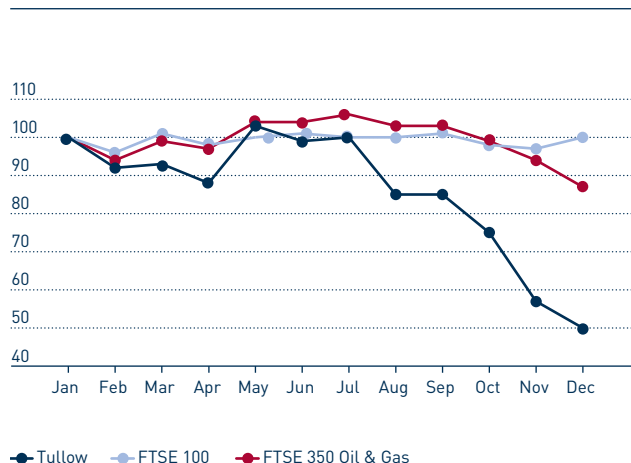
Brent crude spent much of the first half of the year between \$105 and \$115 per barrel. However the second half of the year saw a substantial drop, with Brent falling to \$53/bbl by year end – the lowest price since 2009. The drop of over 40% since June 2014 was due to sluggish global demand and rising production from the US. Prices took another hit in November when OPEC decided not to reduce global production levels. With net US imports of oil decreasing, Saudi Arabia contributed to the price decline by dropping the price at which it was willing to export crude oil to the US to compete for market share. At 31 January 2015, oil analysts forecast Brent prices to be an average of \$58/bbl in 2015 and \$66/bbl in 2016 (Source: Bloomberg).

Competitive landscape of the oil and gas industry

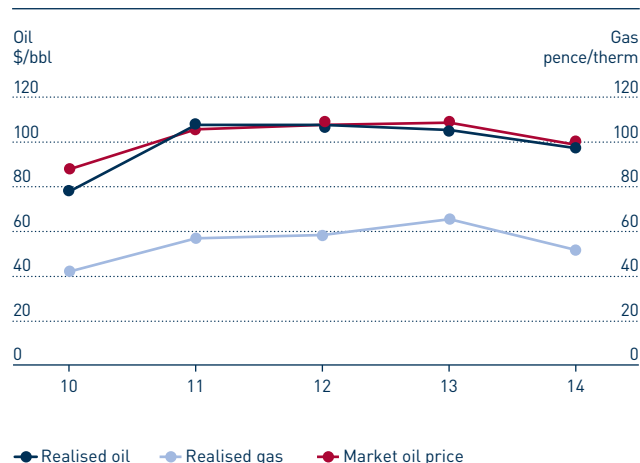
The oil price decline in the second half of the year saw many oil companies cut capital expenditure, particularly in exploration. However, there were some notable exploration successes in 2014 alongside Tullow's own successes in East Africa, with major new offshore resources discovered in Australia, Senegal and the Norwegian Arctic.

The asset, farm-out and M&A markets were very quiet throughout the year. Tullow withdrew from major gas development projects in Namibia and Mauritania to concentrate its capital on higher-value oil projects and withdrew from licences in Liberia, Sierra Leone and Côte d'Ivoire.

2014 EQUITY MARKETS



AVERAGE OIL PRICES



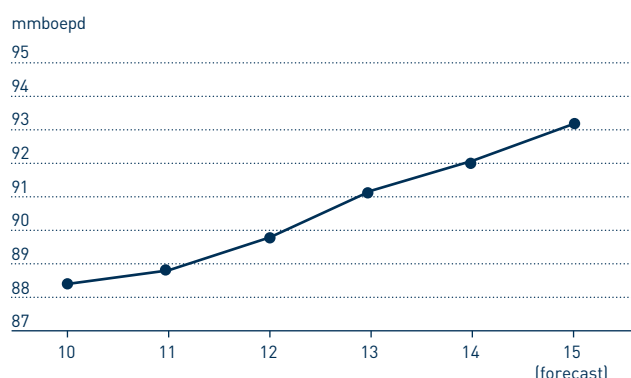
"The second half of the year saw a substantial drop, with Brent falling to \$53/bbl by year end – the lowest price since 2009."

Tullow also successfully sold partial interests in its North Sea assets in the UK and the Netherlands. Jamaica was a new country entry for Tullow in 2014, where the Group has taken a position across substantial acreage with a work programme that does not require a well commitment. The Group continues to evaluate other potential licences across the Atlantic Margins and Africa and while interest in some bid rounds, for example Mexico, has been frenetic, competition within other licence rounds has largely evaporated with governments offering low commitment licences to companies wishing to explore.

Status of industry costs

Costs across the industry remained very high for the first half of 2014. However, even before the oil price decline, it was clear that this high-cost environment had become unsustainable and the capex cuts by many oil companies are likely to place pressure on the oil services sector. The services sector has reacted with consolidation which was evidenced at the end of 2014 with Schlumberger cutting back its seismic fleet and taking an \$800 million write-down on the value of its ships. Elsewhere, Halliburton agreed to purchase Baker Hughes for \$31 billion. Tullow expects that consolidation will continue in the sector for much of 2015. While the eventual result of this consolidation and substantial cost-cutting will see oil service costs rise again, it is the Group's expectation that costs across exploration, production and development will continue to fall throughout 2015 and into 2016.

GLOBAL DEMAND FOR OIL



African economic outlook

African countries continue to out-perform much of the rest of the world economically. The International Monetary Fund (IMF) expected Africa's economy to grow by 5.1% in 2014 and that it will accelerate to 5.8% in 2015 following investment in infrastructure and better efficiency in the service and agriculture sectors. However, there are significant challenges across the continent that could affect economic growth in 2015.

The impact of the Ebola outbreak in Guinea, Sierra Leone and Liberia has yet to be fully calculated. While the epidemic has slowed following action by governments and NGOs, Ebola remains a real risk in West Africa and it has not been fully eradicated. Tullow has closely monitored the situation and thus far, the outbreak has not impacted our production operations in the region. All Business Units developed specific Ebola response and business continuity plans and exercises were run in Ghana and London to assess the Group's preparedness.

The drop in oil price in the final quarter of 2014 created severe economic pressure in Angola and in Nigeria where the naira depreciated substantially against the US dollar. Elsewhere, Ghana's economy endured a turbulent 2014 because of heavy borrowing, over-reliance on imports and currency depreciation. However, in the final quarter, the Ghanaian cedi stabilised following assistance and advice from the IMF.

Stranded assets

Stranded assets have become a major topic for discussion in the oil and gas industry. It has been suggested that, as governments adopt stricter climate change policies, the majority of coal, oil and gas deposits will remain undeveloped as investment in alternative energy sources grows. Climate change legislation is going to become an increasingly important factor in determining the price of all fossil fuels. Some resources may become uneconomic over time and, in the much longer term, oil and gas may have a diminishing role in the overall energy mix. Tullow recognises the potential risk in light of this issue, but is confident there will be a continuing role for the conventional oil and gas industry for decades to come. Even if governments around the world take decisive action now, it would take years of investment to replace the installed base of assets consuming fossil fuel, at a time when energy demand is forecast to continue to grow significantly.



AIDAN HEAVEY CHIEF EXECUTIVE OFFICER

RESPONDING TO CHANGE WITH A FOCUS ON OPPORTUNITIES

Tullow has taken prudent steps to adapt its strategy and adjust its organisation. The Group is ready to operate effectively during challenging times, but to also be in the best position when opportunities arise and the cycle turns.

2014 in reflection

2014 was a tough year for the traditional oil and gas sector. Oil prices fell dramatically in the second half of the year and the E&P sector has been out of favour with investors for some time. It is not the first tough year that I, or Tullow, have faced over the past 30 years. However, it is vital during times of change that companies do not allow themselves to get fixated on the difficulties caused by a low oil price. That environment also creates opportunities that a truly flexible and entrepreneurial company, like Tullow, can take advantage of. They must move quickly to adjust to the new oil price. Companies must not stick their heads in the sand either and simply assume that the oil price will rise again and bail them out of trouble. Tullow's strength in these more challenging times rests on our ability to make the necessary adjustments to our business and strategy quickly, to concentrate on key assets in our portfolio and to ensure the strength of our balance sheet.

We had many achievements during 2014. In West Africa, the Jubilee field in Ghana met its annual production target and the FPSO performed impressively. The Atuabo gas plant was completed by the National Ghana Gas Company and gas is now flowing onshore. The TEN Project, also in Ghana, remains on schedule, on budget and is now over 50% complete. In East Africa, we made further discoveries in Kenya. In particular, the Amosing-1 and Etuko-1 well results at the beginning of the year helped underpin the South Lokichar Basin's commercial potential. We have also made good progress with our development plans in both Uganda and Kenya and have achieved significant cost reductions to the Lake Albert basin development. We also had a further discovery, offshore Norway, with the Hanssen-1 well which added to the wider Wisting cluster of resources. Overall, however, we have not had the returns from our exploration campaigns as we would have liked. This has been disappointing and we need to spend some time adapting our approach and re-evaluating our prospect inventory.

We also took prudent steps in 2013 and 2014 to secure our medium-term funding and strengthen our balance sheet: we have now issued two bonds totalling \$1.3 billion, we re-financed our Revolving Credit Facility and we have an effective set of hedges in place to give us protection in case of further oil price falls.

A shift in our priorities

The key challenge for Tullow in 2014 and into 2015 has been to deal with the changed circumstances in our industry and, as a result, we have shifted our priorities and re-allocated our capital expenditure. This has seen our planned expenditure on exploration and appraisal fall substantially. However, this is not a permanent shift away from exploration. Tullow owes its 1.3 billion barrels of contingent reserves and resources to the spectacular success that our exploration team has had over the past 10 years. The greatest value can be achieved by developing oil that companies have found themselves. We may have cut the exploration budget, but our spend and acreage will still remain substantial by industry standards. East Africa, the focus of our 2015 exploration and appraisal, has the potential to deliver high returns, having reduced drilling costs from \$50 million per well at the start of the campaign in 2012 to around \$10 to \$15 million per well now.

We are keeping a keen eye on the longer term and will seek to take the opportunities that these new circumstances bring. Part of our \$200 million exploration budget will be spent buying up new licences so that, as conditions allow, we can again drill those major, basin-opening wells that have given us the inventory of reserves and resources we have today. In the current market, governments will find it more challenging to lease licences and they will find it hard to include licence terms that insist on wells being drilled within a short time-frame. It is also clear that there will be a long overdue shift in costs within the oil services sector and rig rates will fall dramatically. There is every reason to believe that in three years' time Tullow will be the best positioned explorer in Africa and the Atlantic Margins, and that we will be able to execute our strategy at a much lower cost than in today's environment.

Changing our plans for the right reasons

We remain entrepreneurial about our assets. In the current market, instead of pursuing our farm-down of TEN, we have judged that the value the asset will deliver to us over the medium-term far outweighs how the market values it today. And it is because of the strength and flexibility of our balance sheet that we are confident we can retain this important asset and fulfil our ongoing commitments. Going forward we will continue to make decisions about which assets should be developed and which assets should be sold and, indeed, how they should be developed and how they should be sold. We have also taken a long look at our costs, processes and structures to become leaner and more efficient. This work is moving at pace and is expected to deliver cash savings of around \$500 million over the next three years, which will be realised in savings to capital expenditure, operating costs and administrative expenses.

Our investment proposition

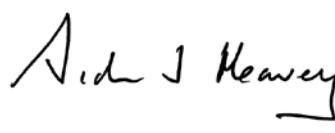
In the end, this focus on developments, prioritisation of near-term value in our exploration programme and the need for careful financial management, reflect my belief that Tullow needs to compete for investors in a way that we have not had to in the recent past. This is a challenge that we are committed to respond to. Tullow has not changed fundamentally over the past year, but to carry on with the same strategy in light of the changes and challenges in our industry and the investment landscape would have been wrong. Therefore, because of the changes in emphasis that we have made to our strategy and the leaner, more focused Tullow that is now emerging, we are confident we will return value to shareholders over the coming years. We will also continue to have one of the best exploration portfolios in the sector and we will have the people and expertise to match.

In June 2014, members of your Board and key members of Senior Management laid out the long-term direction of travel for Tullow at our Capital Markets Day and the change in oil price has not affected this vision. Towards the end of 2016, we are targeting net production of over 100,000 bopd of high-quality, high-margin oil in West Africa and we will have made substantial progress on the Final Investment Decision of our East Africa projects.

"A difficult market creates opportunities that a truly flexible and entrepreneurial company, like Tullow, can take advantage of."

The best team of people

The loyalty of our employees and contractors is critical and I would like to thank them all for their hard work and their dedication to our business in these tough times. While 2015 promises to be an uncertain year for our sector globally, I am confident that because of the assets and people we have, the strategy we are following and the opportunities we will be able to take, Tullow will remain Africa's leading independent oil company.



Aidan Heavey
Chief Executive Officer

SETTING OBJECTIVES FOR FUTURE SUCCESS

Our exploration-led value growth strategy requires disciplined and ongoing attention in order to adapt to changing market conditions and deliver a robust, successful and well funded business.

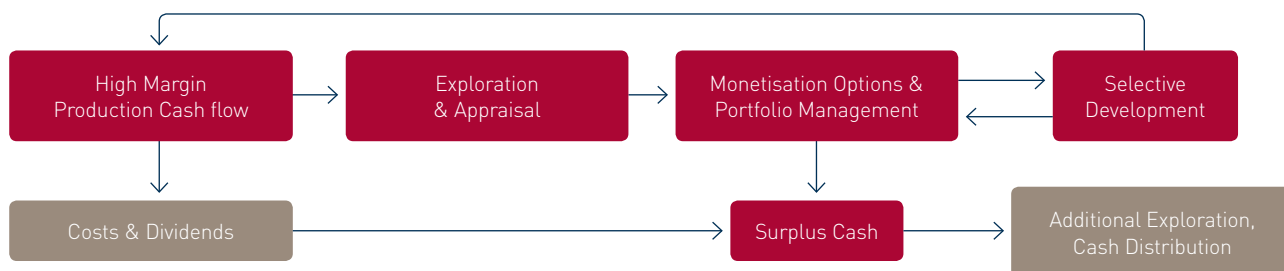
Each year the Board approves a detailed five-year plan which sets out the key operational, performance and strategic agenda for Tullow. It includes both Group and region-specific plans and strategic imperatives.

The table below outlines the key objectives that were set at the beginning of 2014 and our delivery against these objectives. We also outline our future plans for 2015 onwards and the principal risks associated with these plans.

2014 objectives set at the start of the year	2014 performance
High-margin production cash flow Deliver targeted EBITDA from high-margin production.	<ul style="list-style-type: none"> Production in 2014 averaged 75,200 boepd which generated approximately \$1.5 billion cash flow Whilst Jubilee exceeded guidance, overall Group production levels decreased in 2014 due to assets sales in Europe and ongoing licence discussions in Gabon
Exploration & Appraisal Sustain \$1 billion annual E&A programme and achieve target of on average 200 mmboe of resource additions per annum.	<ul style="list-style-type: none"> Tullow adapted responsively to the sector downturn and reduced investment level to \$799 million and the Group curtailed complex deepwater offshore wells and refocused on lower cost offshore and Kenyan onshore wells Exploration and appraisal activities in 2014 added 54 mmboe of contingent resources
Monetisation options & portfolio management Achieve asset disposals in Asia, the UK and the Netherlands. Monetise selected assets including as a priority the TEN development.	<ul style="list-style-type: none"> Completed the sale of assets in Bangladesh and operated interests in the UK Schooner & Ketch. The proposed sale of our Pakistan asset did not complete Sale agreed for the L12/L15 block and Q4 and Q5 blocks in the Netherlands and sale completed for the Brage field in Norway Decision made to retain full stake in the TEN Project as farming down in deteriorating industry conditions, with reduced competition, was no longer in the best interest of shareholders
Selective development Deliver TEN first oil in 2016 and invest in selective developments while successfully managing capital expenditure exposure.	<ul style="list-style-type: none"> The TEN Project progressed on time and on budget throughout 2014, with first oil still on track for mid-2016 Investment in developments totalled approximately \$1.2 billion in 2014, which accounted for 60% of our total capital expenditure Tullow decided not to invest further in the Kudu project in Namibia and the Banda project in Mauritania, as other projects ranked higher in the capital allocation process
Funding Operate within balance sheet debt capacity and maintain conservative financial profile.	<ul style="list-style-type: none"> Tullow strengthened its balance sheet through the issue of a second \$650 million corporate bond in April 2014 The Group had net debt of \$3.1 billion at year end, with available debt facility headroom and free cash totalling \$2.4 billion Hedging programme mitigated risk against lower oil price and protected debt capacity
Organisation Ensure Tullow's organisation is appropriately sized to achieve the Group's strategic initiatives.	<ul style="list-style-type: none"> A process of streamlining the business began at the end of 2014, with significant long-term cost savings and efficiencies expected to total \$500 million over three years

OUR STRATEGY

Our strategy is to find our own oil which we seek to monetise through production or the sale of assets. We generate cash flow from our high-margin producing assets, which is then appropriately allocated to exploration activities, costs and dividends. Our exploration activity is the feedstock of our portfolio and success gives us options to monetise assets and maximise value at various points in the life cycle. We selectively develop the oil we find, focusing on world-class development projects that are economically viable and will return sustainable future cash flows. When surplus cash is generated, a decision will be made to either reinvest this into additional operational activities or return cash to shareholders.



Future objectives from 2015 to 2019 business plan	Short-to-medium term risks associated with the business plan
<ul style="list-style-type: none"> • Deliver targeted EBITDA from high-margin production and maintain focus on operating costs and efficiency • Sustain production levels from non-operated West African production over the medium term • Grow Ghana production through Jubilee Full Field Development (FFD) and first oil from the TEN field 	<ul style="list-style-type: none"> • Sustained low oil prices • Performance and uptime of FPSO and onshore gas processing facility impacts Jubilee production • Decline in non-operated West African production through lower investment or operational issues • Delays in start-up of the TEN field
<ul style="list-style-type: none"> • Reduce annual E&A programme to \$200 million in the short-term and shift focus to core areas and onshore rift basins • Retain and build low-cost, long-term exploration portfolio that provides opportunities to maximise value in the future 	<ul style="list-style-type: none"> • Sustained exploration failure • Further reductions in E&A spend • Partners' financial ability to fund exploration programmes • Lack of viable opportunities to grow portfolio
<ul style="list-style-type: none"> • Maintain active management of the portfolio through asset acquisitions and divestments as appropriate • Optimise exploration licences through active farm-in and farm-out programmes 	<ul style="list-style-type: none"> • Sustained downturn in the market reduces opportunities for asset acquisitions and divestments • Exploration remains out of favour with the wider market, reducing farm-in and farm-out activity
Deliver selective developments including: <ul style="list-style-type: none"> • Jubilee FFD • TEN first oil in mid-2016 • Progressing Uganda and Kenya to Final Investment Decision • Maintaining stable investment in West African non-operated production assets 	<ul style="list-style-type: none"> • Delay in first oil from the TEN field • Further changes to capital allocation which could delay Jubilee FFD • Lack of incremental investment opportunities in West African non-operated assets
<ul style="list-style-type: none"> • Operate within balance sheet debt capacity and maintain a conservative financial profile • Take measures to respond to the low oil price environment 	<ul style="list-style-type: none"> • TEN start-up is delayed or budget is exceeded, impacting the balance sheet • Failure to deliver on cost efficiencies, capital allocation and hedging programme
<ul style="list-style-type: none"> • Ensure Tullow's organisation is appropriately sized to achieve the Group's objectives • Implement outcomes of the strategic organisation review, realising cost savings and efficiencies over the plan period 	<ul style="list-style-type: none"> • Loss of key staff during strategic organisation review and industry downturn • Inability to achieve appropriate cost controls and efficiencies

MEASURING OUR PERFORMANCE

The Board monitors the Group's progress against its Key Performance Indicators every month to assess the Group's performance and delivery of its strategy.

Tullov's Key Performance Indicators (KPIs) are important in assessing the overall health and performance of the business. The Group measures a range of operational, financial and non-financial metrics to help it manage its long-term performance and achieve the Group's business plans.

In 2014, the Executive Directors decided to fully align its corporate KPIs with the balanced scorecard used to decide the Executive Directors' performance related pay. This ensures that all areas of the business are driving towards the same goals.

Each objective has a percentage weighting and financial indicators have a baseline and a stretch performance target.

The scorecard also has a set of specific strategic targets that are set annually to reflect the most material, strategic objectives and associated risks. Full commentary of the Group's performance against the 2014 strategic targets can be found in the Directors' remuneration report on page 99.

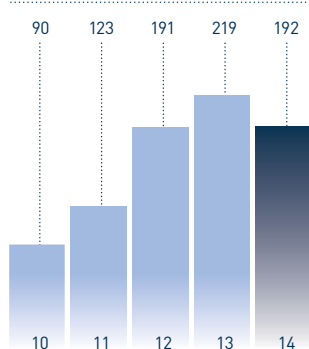
In 2014, the overall performance against the scorecard was 23%. Further information is in the table below and within the Directors' remuneration report on pages 98 and 99.

The KPIs are also aligned to the business model and measure performance in Exploration & Appraisal, Development & Production, Finance & Portfolio Management and Responsible Operations.

Executive Directors' performance against remuneration targets

Performance metric	Performance target	% of Award [% of salary maximum]	Actual
Operational (Production)	20% payable at threshold, increasing to 40% payable at target, increasing to 100% payable at stretch	10% (60%)	3% (18%)
Exploration (Finding Costs)	20% payable at threshold, increasing to 40% payable at target, increasing to 100% payable at stretch	10% (60%)	0% (0%)
EHS	Leading and lagging quantitative and qualitative measures	10% (60%)	7% (42%)
Strategic Targets	Six specific strategic targets (see page 99)	20% (120%)	13% (78%)
Relative TSR	25% payable at median, increasing to 100% payable at upper quintile against a bespoke group of listed exploration and production companies measured over two years to 31 December 2014.	50% (300%)	0% (0%)
Total		100% (600%)	23% (138%)

\$192.4 MILLION



ADMINISTRATIVE EXPENSES

Administrative expenses are the corporate costs of running the organisation.

Measurement

Administrative expenses are those corporate costs remaining unallocated that are charged to the income statement after all other costs have been allocated to capital expenditure, operating costs or are recovered from joint venture partners on a no-gain basis.

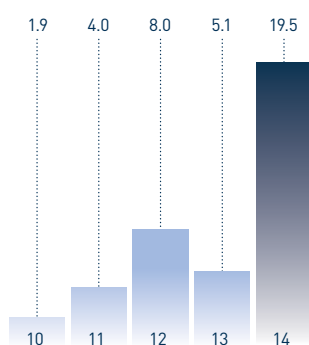
Risk management

The Tullow Board approves the annual administrative expenses budget and the costs are actively managed and closely monitored on a monthly basis to ensure appropriate allocation of costs across the organisation.

2014 performance

Administrative expenses for 2014 were \$192.4 million, achieving our stretch target of below \$217.0 million.

\$19.5 PER BOE



FULL FINDING & PRE-FID DEVELOPMENT COSTS PER BOE

These are an indicator of exploration and appraisal success, levels of pre-FID development investment, financial discipline and operational delivery.

Measurement

Full finding costs in Tullow Oil are calculated by dividing exploration and appraisal capital investment (based on intangible exploration and evaluation assets additions including pre-FID development costs) by additions and revisions to contingent resources. Additions and revisions to contingent resources are based on the Group reserves report produced by an independent engineer.

Risk management

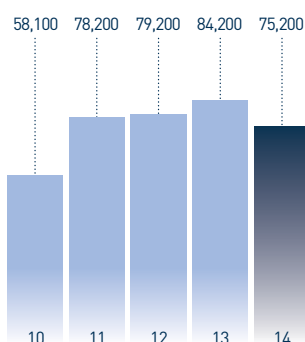
The Tullow Board approves the annual Exploration and Appraisal programme and the portfolio is continually being high-graded. Capital expenditure budgets are approved by the Board annually and senior management approval is required for major categories of expenditure.

2014 performance

After delivering 54 mmboe of contingent resources additions, with a cost of \$1,057 million, finding costs for 2014 were \$19.5/boe and did not achieve our base target. In this calculation Norway exploration costs are included net of the 78% rebate which reflects the substantial tax benefits and consequent cash costs incurred for Norway exploration activities. Finding costs were above the threshold target of \$10/boe.



75,200 BOEPD



WORKING INTEREST PRODUCTION

Tullow sets working interest production targets as part of the Group's annual budget to provide a source of funding for the Group in the form of significant high-margin annual cash flow.

Measurement

Daily and weekly production is monitored for all key producing assets and reported weekly to Senior Management and on a monthly basis to the Board. Regular production forecasts are prepared during the year to measure progress against annual targets.

Risk management

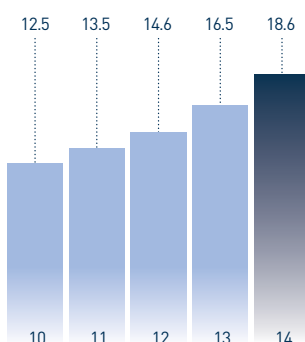
Unplanned interruptions are mitigated through strong production planning and monitoring, developing efficient and cost-effective solutions to any production issues, to protect the reserves and resources of the assets in the long term. We are also transitioning production from lower-value gas in mature fields to high-value light oil production in new areas.

2014 performance

The Group's working interest production in 2014 was 75,200 boepd, which was below the threshold target of 83,100 boepd. The shortfall was principally due to under performance of the European fields. The stretch target for 2014 was 91,410 boepd.



\$18.6 PER BOE



CASH OPERATING COSTS PER BOE

Operating expense per barrel of oil equivalent (boe) is a function of industry costs, inflation, Tullow's fixed cost base and production output.

Measurement

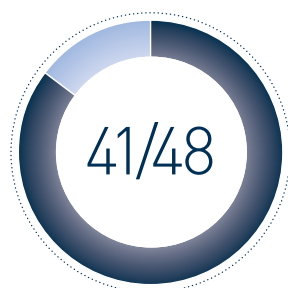
Operating expenses are monitored closely to ensure that they are maintained within preset annual targets and are reported each month on an asset-by-asset basis.

Risk management

A comprehensive annual budgeting process covering all expenditure is undertaken and approved by the Board. Monthly reporting highlights any variances and corrective action is taken to mitigate the potential effects of cost increases.

2014 performance

Operating expense for 2014 was \$18.6/boe, after taking account of the uncontrollable effect of royalties on reported figures in relation to oil price. The base target for 2014 was \$17.2/boe.



● Achieved 41
● Not achieved 7

EHS SCORECARD

Tullow's EHS scorecard provides a complete view of Tullow's EHS performance and focuses on proactive interventions and learning from incidents, rather than concentrating on statistics of past events.

Measurement

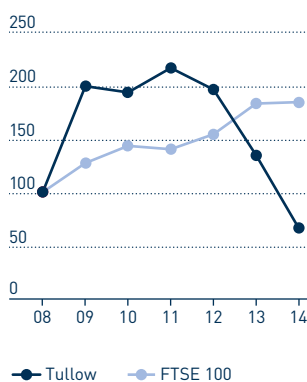
The scorecard consists of 16 indicators that could have a significant impact on Tullow's business. Each is scored on the basis of full delivery (three points), partial delivery (two points), in progress (one point) and failure to deliver (zero). On this basis, delivery of all targets would result in a score of 48.

Risk management

Early identification of potential risks can mitigate EHS events for all of our operations and activities. EHS is the responsibility of all personnel in Tullow and is overseen by the Group's Chief Operating Officer, supported by a number of EHS professionals embedded in the business.

2014 performance

In 2014, 41 points out of a total maximum of 48 points were achieved. 13 out of the 16 indicators were fully achieved. Targets not met, or partially met, were uncontrolled releases and land transport analysis. Further details of our performance can be found on page 38.



TOTAL SHAREHOLDER RETURN

Tullow's strategy is focused on building long-term sustainable value growth. Our primary strategic objective is to deliver substantial returns to shareholders.

Measurement

TSR (share price performance and dividend distribution) is reported monthly and at year-end to the Board. TSR is measured against a bespoke group of listed Exploration and Production companies. For the purpose of remuneration, TSR is based on performance over the 24 months ended 31 December 2014.

Risk management

Tullow has a consistent and clear strategy. The Group undertakes a five-year business planning process each year, which is reviewed and approved by the Board. Executive Directors are responsible for the safe delivery of the business plan objectives, which are set out in summary on pages 14 and 15 of this report.

2014 performance

The Group experienced a negative 46% TSR in 2014 (negative 32% in 2013). The baseline target is median TSR performance in relation to the peer group and the stretch target is upper quartile performance. Based on the average share price in the fourth quarter of 2014 relative to the fourth quarter of 2013, Tullow was ranked 19th out of 21 peers for TSR performance.



Construction workers in Jurong shipyard, Singapore

REALISING POTENT



OUR JUBILEE



DEVELOPING THE TEN FIELD IN GHANA

Our Ghana operations began in 2006, and a year later we made the discovery of the world-class Jubilee field which came on stream in 2010. Further exploration resulted in the Tweneboa, Enyenra and Ntomme (TEN) discoveries. A Plan of Development was approved for the TEN Project by the Government of Ghana in 2013 to initially develop gross reserves of 300 million barrels of oil equivalent and produce up to 80,000 barrels of oil per day. The total estimated gross cost of the project is \$4.9 billion. First oil is targeted for mid-2016 and will generate significant cash flow for Tullow.

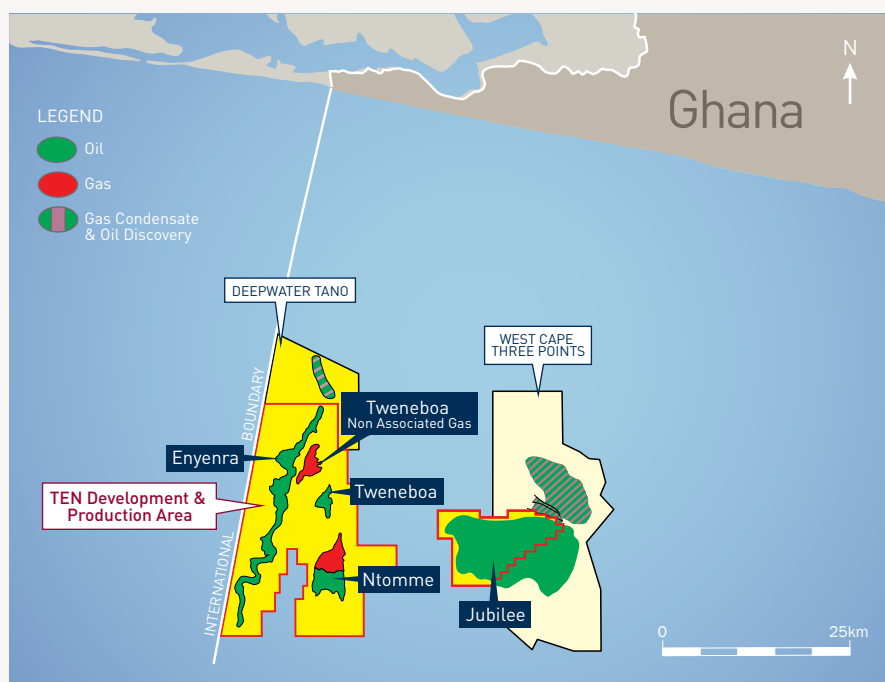
TWENEBOA, ENYENRA & NTOMME

Operated by Tullow, the TEN Project is Ghana's second major oil development. The project takes its name from the three offshore fields under development – **Tweneboa**, **Enyenra** and **Ntomme** – which are situated in the Deepwater Tano block, around 60 kilometres offshore Western Ghana.

First oil is scheduled for mid-2016 with a facility capacity of around 80,000 barrels of oil per day expected to be reached in early 2017. The field will add significant high-margin production to Tullow's portfolio.

The TEN Plan of Development was approved by the Government of Ghana in May 2013, and at the beginning of January 2015, the project was over 50% complete. In Singapore, the conversion of the Centennial Jewel very large crude carrier (VLCC) into the TEN floating production, storage and off-loading (FPSO) vessel is progressing well and the FPSO is on track to leave Singapore in late 2015.

All 10 pre-first oil wells have been drilled ahead of schedule. They are now suspended in preparation for the completions to be installed by April 2016. Construction vessels will arrive on the field in Q3 2015 to begin installing the subsea production system. The project remains on track and on budget and Tullow and its partners are working hard to deliver the TEN Project safely and successfully for Ghana.



TEN PROJECT KEY FACTS

FPSO facility capacity
80,000 bopd

Gas processing
Compression capacity
170 MMscf/d

Water injection
132,000 bwpd

Oil reserves being developed
240 mmo

Gas reserves being developed
60 mmo

Water depth
1,000 – 2,000 metres

Wells
10 wells at first oil; Up to 24 wells full field development

Flowlines
70 km

Umbilicals
60 km

Risers
40 km

Partners' working interest
Tullow (operator) 47.175%,
Kosmos 17%, Anadarko 17%,
GNPC 15%, Petro SA 3.825%



Suction pile construction in Sekondi, Ghana



GHANA'S GROWING OIL INDUSTRY

The TEN field lies just 20 kilometres from the Tullow Oil-operated Jubilee field and I am incredibly proud that Tullow Ghana is at the forefront of unlocking Ghana's oil resources.

Tullow is committed to doing business in the right way; this means that we are developing the TEN Project in accordance with the highest international safety and environmental standards. It also means that we deliver on our commitment to create shared prosperity in Ghana by employing and training Ghanaian nationals, investing in capacity building and contracting Ghanaian companies.

We believe transparency and compliance with the laws of our host countries are key aspects of how we run our business.



CHARLES DARKU
TULLOW GHANA GENERAL MANAGER

"The TEN Project is of huge strategic importance to both Ghana and Tullow, so it is pleasing to see it making good progress towards first oil in mid-2016."

Therefore, with the consent of the Government of Ghana, we have made our Ghana Petroleum Agreements public.

Tullow is committed to working with the Government of Ghana to ensure that the country continues to benefit as it develops its own oil sector and learns from countries with mature oil industries.

We continue to maintain a healthy working relationship with our regulator, the Petroleum Commission, which holds us to account.

TEN is a fantastic project and I am confident that Tullow and its partners will make Ghana proud.

Charles Darku,
Tullow Ghana General Manager



Module lift at Jurong shipyard, Singapore



TERRY HUGHES TEN PROJECT DIRECTOR

“We are proud to be on track to deliver first oil in mid-2016. The team is doing a fantastic job and we have hit every major milestone so far, including drilling 10 wells and achieving 50% completion of the FPSO conversion and subsea equipment fabrication. We remain focused on the major tasks ahead to deliver this huge project. The FPSO ‘Prof. John Evans Atta Mills’ setting off from Singapore to Ghana at the end of 2015 will be a significant milestone.”

THE TEN JOURNEY

Past, present and future project milestones

2013

May The Government of Ghana approved TEN Plan of Development

October Work began on FPSO conversion in Singapore

2014

Q2 All seismic work completed

July – August The FPSO's module support stools – fabricated in Ghana – arrived in Singapore

August FPSO entered dry dock

2015

January All 10 first oil wells drilled and project 50% complete overall

Q1 First subsea christmas tree assembly to be completed in Takoradi

Q2 Construction of the FPSO's mooring piles in Sekondi

Q3 First subsea installation vessels due to arrive in Ghana

Q3 FPSO turret testing to be completed

Q4 FPSO to depart from Singapore

2016

Q1 FPSO to arrive in Ghana

Q2 All pre-first oil wells to be completed

Q2 Umbilical and riser installation to be completed

Mid year First oil

2H 2016 Gradual production ramp-up

2017

Plateau production reached

Stay up to date with all the latest news on how we're progressing: www.tulloil.com





Deck of FPSO, Singapore

LOCAL PARTICIPATION

The TEN Project is committed to maximising opportunities for Ghanaian businesses, and all major contractors were required to submit local content plans in their tenders. The TEN Project has built on the achievements of the Jubilee development to increase the amount of work undertaken in-country and achieve a number of firsts for Ghana.

TEN is Ghana's first oil and gas project where important FPSO components have been fabricated in-country. The FPSO's module support stools, which attach modules to the deck of the vessel, were fabricated in Tema and Takoradi by indigenous Ghanaian firms, Seaweld Engineering Ltd and Orsam Ltd.

The FPSO's nine suction piles, which will anchor the vessel to the seabed, are being fabricated at a new facility in Sekondi, in Ghana.

Vital subsea production equipment is also being fabricated in Ghana. Harlequin International Ghana Ltd is making the subsea mud mats, and Subsea7 has constructed a new fabrication base in Sekondi where it is fabricating anchor piles for the subsea manifolds. The subsea christmas trees for the project will be assembled and tested by FMC Technologies at their state-of-the-art facility in Takoradi.

In addition, Hydra Offshore Group is supplying Ghanaian engineers for the project.



Orsam fabrication yard, Tema, Ghana





FPSO ON TRACK

The TEN FPSO will receive, process and store crude oil. The vessel, which is currently being converted from a tanker into an FPSO, will be permanently moored over the TEN field.

The conversion of the double-hull Centennial Jewel tanker began in October 2013 and it is on track to be ready to sail away from the Jurong shipyard in Singapore to Ghanaian waters in Q4 2015. The TEN FPSO will be named "FPSO Prof. John Evans Atta Mills", after the late president of Ghana.

TEN FPSO KEY FACTS

Length: 340 metres

Width: 56 metres

Total height: 64 metres

Accommodation: 120 people

Water depth: 1,425 metres

No. of risers/umbilicals: 24

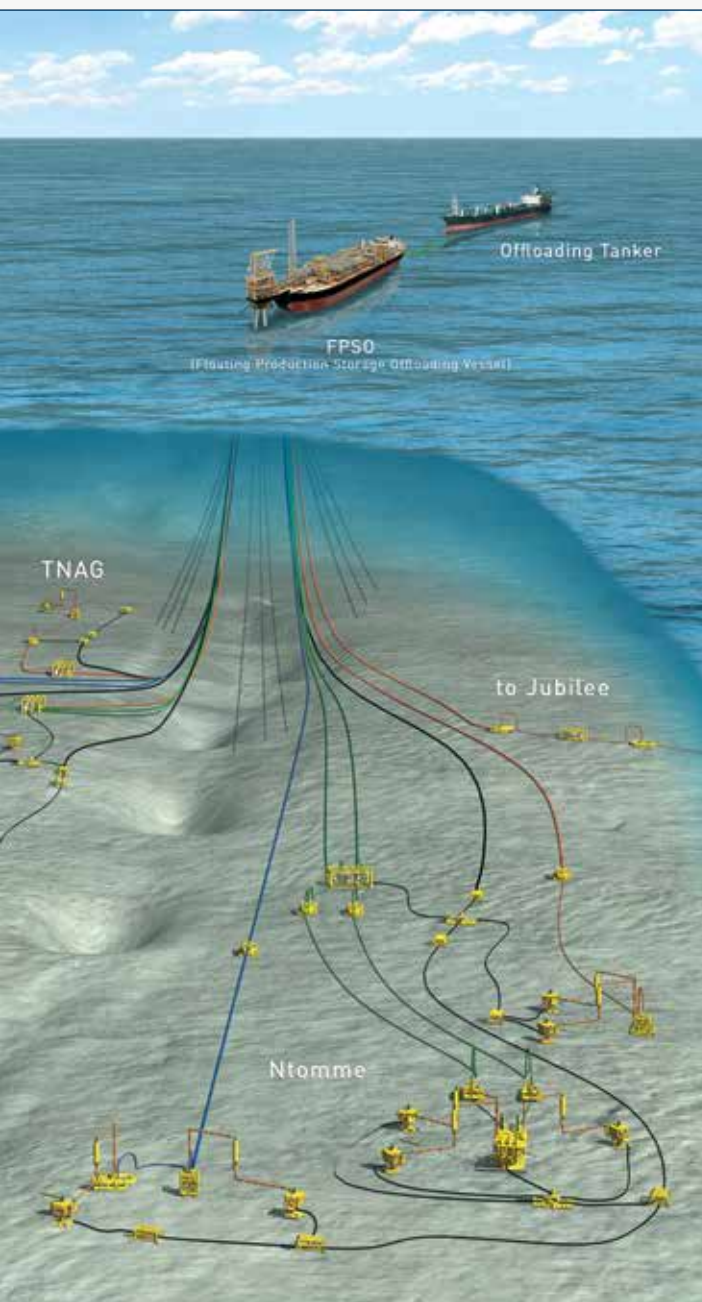
Topside modules' weight: 18,000 tonnes

Crude storage: 1.7 million barrels



SUBSEA DELIVERY

The TEN Project will incorporate extensive subsea system infrastructure, which will be capable of future expansion. Umbilicals, Risers and Flowlines (URF) and a Subsea Production System (SPS) are the main components.



A GLOBAL OPERATION

TEN is a truly international project, with work being undertaken in Ghana, Singapore, Malaysia, Thailand, France, Norway and the USA.

The project is committed to maximising local content and all major contractors were required to implement local content development plans in their tenders. This has seen significant work completed in Ghana, including the construction of the FPSO's module support stools and mooring piles, the fabrication of subsea mud mats and the assembly of subsea christmas trees.

COUNTRIES INVOLVED IN SUPPLYING INFRASTRUCTURE



UK – Main project team

USA – Christmas trees

Singapore – FPSO conversion, power generation and fabrication

Ghana – In-country project team and numerous services from local suppliers

France/Norway – Subsea installation campaign

Thailand – Gas compression

Malaysia – Laydown area and fabrication of pipe racks


The URF component includes the flowline and riser systems for oil to flow from the wells to the FPSO, and water and gas injection in the opposite direction. In addition, the umbilicals enable the transmission of electrical power, data, and hydraulic power to the subsea christmas trees, manifolds and control system, enabling the wells to be monitored and controlled.

The SPS component includes the subsea christmas trees, which will control the flow of fluids into and out of the wells, and riser base manifolds, which will gather the oil before it flows up to the FPSO.

The subsea control system enables the remote monitoring and control of the wells, christmas trees and manifolds from the FPSO's control room.

Overall, the TEN subsea infrastructure will include:

- Two oil production pipeline loops;
- Three discrete water injection pipeline systems;
- One gas production pipeline system;
- One gas injection pipeline system; and
- A gas export pipeline



"I am delighted that the TEN Project remains on track and is delivering benefits to Ghana. I visited the FPSO last year and it was fantastic to see components made in Ghana installed on the deck of the vessel. I was also able to meet three employees of the Ghana National Petroleum Corporation who are on secondment in Singapore, learning how the vessel will operate.

"Earlier this year I was able to see for myself the capacity building that is ongoing when I visited the new fabrication facilities in Sekondi-Takoradi and I am optimistic for the future of our young oil industry in Ghana."

HON. EMMANUEL ARMAH-KOFI BUAH
MINISTER FOR ENERGY AND PETROLEUM



Harlequin staff, Tema, Ghana

INVESTING IN GHANA

HYDRA OFFSHORE GROUP

Accra-based Hydra Offshore Group is a Ghanaian-owned offshore and subsea engineering services company. The group, which was founded two years ago, has been engaged by TEN Project engineering services contractor, Wood Group Kenny, to provide engineers for the development.

Ghanaian engineers from Hydra are now working with Wood Group Kenny in their London and Houston offices, enabling the knowledge transfer that will see Hydra engineers working on all stages of the TEN Project.

HARLEQUIN INTERNATIONAL GHANA LIMITED

Harlequin International Ghana Ltd has been engaged by TEN Project subsea contractor FMC Technologies to manufacture subsea mud mats for the development. The mud mats will sit on the seabed in the TEN fields, supporting subsea production equipment.

Following the award of the TEN Project contract, Harlequin has opened a new fabrication base in Takoradi to supplement its modern workshop facility in Tema.

The award of the contract has also enabled Harlequin to send some of its staff to South Africa to gain internationally recognised welding qualifications.



Welding operations at Harlequin facilities in Tema, Ghana



ADAPTING OUR APPROACH TO EXPLORATION

Despite significantly reduced planned expenditure on exploration in 2015, we remain focused on our key areas of future potential and new areas of opportunity.



ANGUS McCOSS EXPLORATION DIRECTOR

Since the beginning of 2014 we have been adapting our approach to exploration to fit the changing economic environment, protect the best interests of our shareholders and capture new opportunities. We accepted that drilling complex wells, such as those in over-pressured deepwater plays, became too high-risk and expensive in the prevailing industry cost environment. As a result, the offshore minimum commercial field size has tripled in recent years, which means that many deepwater prospects, which were once considered by industry to be material, are now more often sub-commercial. Therefore we made early moves to refocus our drilling on low cost onshore and offshore plays which do not involve complex wells. The dramatic drop in the oil price in the second half of the year and the consequent pressure on Tullow's overall expenditure saw us reduce our planned investments in exploration to \$200 million in 2015.

My exploration colleagues and I have also had time to reflect on the recent lack of commercial success in offshore drilling and attribute this to a number of factors. We drilled too many

"Our East African focus could directly impact the global non-OPEC oil supply equation for 2020 and beyond."

wells looking for the 'next Jubilee'; we did not halt those campaigns quickly enough, as it emerged that they were not being commercially successful; and we may have missed opportunities to sell big wildcat successes early in markets where they would have been bought. These lessons learned will be at the heart of our forward programmes when conditions permit Tullow to expand the exploration programme again.

Key exploration results in 2014

In 2014, Tullow had ten exploration and appraisal successes in Kenya's South Lokichar Basin and two in the Lake Albert Rift Basin in Uganda as well as making three other discoveries, at Hanssen-1 in Norway, Vincent-1 in the Netherlands and Igongo-1 in Gabon.

Two further exploratory appraisal successes found untapped oil pools in support of production, one in Ghana and one in Gabon. Against these 17 successful wells, we had 10 dry well results and made six technical discoveries in wells drilled in Mauritania, Norway, Gabon and Kenya.

The campaigns got off to a good start in 2014 with the Amosing-1 wildcat well in Kenya making a material oil discovery in the South Lokichar Basin. We also carried out well flow tests to better understand the basin's oil production deliverability and we encountered a natural range of flow rates with particularly encouraging high rates at Twiga South-2A. This gives the exploration and development teams important information to target future drilling in the South Lokichar Basin and key insights for new basin opening wells going forward.

In Norway, the Hanssen-1 exploration well in the Barents Sea successfully added to the volumes of oil already discovered in our Hoop-Maud Basin acreage, where in 2013 the Wisting-1 discovery opened this new basin.

Our exploration team's work goes beyond finding untapped oil, as we also focus on increasing the size of our existing discoveries. J-24, a Jubilee development well, was successfully deepened to test near-field exploration objectives and added high-value new oil to the near-term production reserves of Tullow's major operated asset in Ghana. Integrated geoscience and reservoir engineering offshore Ghana, in Jubilee and TEN, has also delivered some contingent resource additions which will extend production life and sustain cash flows.

Future exploration plans

A programme of low cost onshore and low complexity offshore drilling can be achieved with the revised exploration budget of \$200 million. However, these prospects will cumulatively target a smaller volume of potential resources than previous exploration and appraisal campaigns when the budget was around \$1 billion. We plan to drill some 15 exploration wells in 2015, so whilst we will have to pull back from delivering our long-standing 200mmboe rolling average annual contingent resource additions, we will still aim to discover oil for full finding costs below \$5/boe, which ranks competitively on a global basis. Tullow will continue to be a leading explorer within the oil sector. Wells for 2015 and 2016 include basin testing prospects in the Kenya Rift Basins, exciting turbidite plays in benign shallow water offshore Namibia and Suriname, and potential high-impact plays near infrastructure offshore Norway.

The exploration sector has been through these slumps before and a different approach is required when oil prices are low. However, there is plenty of value to be gained even without drilling as many wells as before and we will not neglect our exploration business and expertise. While we will drill fewer exploration wells, our prospectors will be very active. They will be acquiring, processing and interpreting seismic and well data from our regional databases, to build and rejuvenate our prospect inventories. Although this is highly skill intensive, it is a far lower-cost activity than drilling wells. Having found 1.3 billion boe which we are now developing and producing, we are exploiting the opportunity afforded by the current downturn to restock our portfolio with new basins, plays and prospects for the recovery ahead.

Opening more new oil basins along Kenya's Tertiary Rift Valley, where we have a commanding operated acreage position, would be a transformational achievement for

Tullow. Success on this scale would directly impact the global non-OPEC oil supply equation from 2020 and it remains our key campaign for 2015 and beyond.

Looking further ahead, we have some exciting exploration opportunities within the portfolio that are likely to be drilled when the current market conditions improve. Our Namibian oil prospects target a new light oil play where turbidite fans, which were deposited in deepwater, are now buried in shallower water settings. We have basin commanding positions in Mauritania and in the Caribbean-Guyanas where we hope to utilise our expertise and knowledge from oil wells already drilled in those regions and in the West Africa turbidite plays that resulted in the Jubilee and TEN discoveries. The Caribbean-Guyanas oil plays are especially well positioned to attract the attention of an industry which is currently excited about opening up the full potential of the greater Gulf of Mexico region. Finally, the game changing plays within our Norwegian acreage represent an exciting set of exploration opportunities which we would also highlight as being potentially transformational.

The value of exploration

Creating additional value through exploration discoveries remains an important measure of Tullow's performance. The overwhelming majority of the oil resources that underpin Tullow's enterprise valuation and debt raising capacity have been discovered through our own exploration wildcatting. I remain confident that we will continue to enhance our portfolio, largely through seismic interpretation activity, over this period of reduced exploration drilling activity, so we have the best chance of finding the next big basin opening discoveries when the market recovers.

2014 E&A outcomes

	Commercial Discovery	Technical Discovery	Dry Hole
Exploration	Ewoi-1 Amosing-1 Ekunyuk-1 Etom-1 Igongo-1 Hanssen-1 Vincent-1	Emong-1 Ekosowan-1 Frégate-1 Sputnik East-1 Langlitinden-1	Shimela-1 Gardim-1 Kodos-1 Tapendar-1 Gotama-1 Lupus-1 Heimdalshø-1
Appraisal	Twiga-2A Ngamia-2 Waraga-3 Rii-2 Ngamia-3 Amosing-2A Ngamia-4 Ngamia-5 J-24 LM3 OMOC-601	Etuko-2	Agete-2 Butch East Butch SW

West Africa East Africa North Atlantic

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PRIORITISING HIGH-QUALITY PRODUCTION

Our focus is on maximising cash flow from our existing producing assets and advancing our world class portfolio of development assets in Ghana, Kenya and Uganda.



PAUL McDADE CHIEF OPERATING OFFICER

In 2014, Tullow made a significant change to its capital allocation. As previously discussed in this report, a strategic decision was made to reduce investment in exploration and appraisal activities and refocus capital to the development of resources already discovered. This focus on the development portfolio provides significant potential for production growth in both West and East Africa over the coming years. In West Africa we have the potential to grow the current high-margin net production of 63,400 bopd to above 100,000 bopd around the end of 2016. This growth will come from the Jubilee field which should gradually ramp up towards the FPSO production capacity towards the end of 2015 and the TEN development project coming on stream in mid-2016 and ramping up to plateau production in 2017.

2014 production performance

The underlying production performance from Tullow's West African portfolio was strong throughout 2014 with average production of 63,400 bopd. The Jubilee field met

"Operating capability is critical to ensure we can progress developments at a pace that meets the requirements of our host governments."

its target by producing an average of just over 100,000 bopd gross and the underlying production from non-operated assets in West Africa was within guidance. However, sales and production were slightly impacted by the ongoing licence discussions in Gabon. Production from the Group's North Sea gas portfolio averaged 11,800 boepd but

was negatively impacted by both asset sales and under performance from a number of wells. The asset sales, that were completed or agreed in 2014, included an operated interest in the UK Schooner and Ketch fields, the Brage field in Norway, and the interests in L12/L15 blocks and Q4 and Q5 blocks in the Netherlands. Due to the deterioration in the asset and commodity market in the latter half of 2014, it has been decided for the time being to retain the remaining non-operated North Sea production assets which provide solid cash flow.

Operating with a lower oil price

Tullow is in a strong position in the current environment due to its asset portfolio being robust at low oil prices and

having a strong track record of developing and operating assets efficiently and at low cost. This expertise has been developed over the last decade and a half when we acquired assets from major oil companies in the North Sea and significantly reduced operating costs and extended field life. More recently, in the development of the Jubilee field, the project took just 40 months to come on stream from the first discovery well; a record for a complex deepwater project.

Robust production in Ghana

The Jubilee field is able to generate good returns even at very low oil prices due to its low operating costs of around \$10/bbl and efficient fiscal terms. As the Jubilee field achieves full capacity and the TEN Project is brought on stream the almost doubling of gross production will deliver significant synergies through the combined operations of the two fields. In addition, the current oil prices provide an opportunity to further reduce operating costs as service costs come under pressure.

The ongoing TEN Project is progressing to plan and remains on track for first oil in mid-2016. The field will increase our net Group production by around 35,000 bopd when it reaches plateau by 2017. Whilst these complex deepwater projects have significant project risks, Tullow demonstrated in the Jubilee development that these projects can be delivered on time and within budget. The TEN Project has a number of advantages: it is benefiting from a significant transfer of lessons learned and knowledge from the Jubilee project; the main contractors are a similar group to those we worked with to deliver success on Jubilee; and we are working within a more mature oil and gas environment in Ghana. Further information on the TEN Project can be found in our special feature on page 20.

Sustaining significant high-margin non-operated West Africa production

Tullow's non-operated West African production assets are expected to continue to deliver around 30,000 bopd from a portfolio of 19 fields located in Côte d'Ivoire, Gabon, Equatorial Guinea, Congo (Brazzaville) and Mauritania. In 2014, Tullow continued to invest in these assets committing around \$240 million to high-margin incremental development projects across these assets. We expect this to continue in the coming years and this will maintain production at current levels in the medium term. These assets also have relatively low operating costs, attractive fiscal terms and short paybacks that also make production economic at very low oil prices.

Strategic position in East Africa

Tullow has a strategic position in East Africa as Operator in both Kenya and Uganda helping to ensure that the very significant discovered resources across both countries are developed in a collaborative and efficient manner.

Tullow has helped to establish a co-operative environment between the partnerships in Uganda and Kenya that has allowed the sharing of data and joint work on the critical export pipeline. These major onshore upstream projects have the potential to be delivered at a low cost per barrel and both partnerships are now focused on ensuring the export pipeline and infrastructure are agreed and delivered in an efficient manner to ensure the lowest possible tariff

GROUP AVERAGE WORKING INTEREST PRODUCTION

75,200 BOEPD



● Oil	63,600
● Gas	11,600



● West & North Africa	63,400
● Europe, South America & Asia	11,800

charges. The Governments of Kenya and Uganda are also working together on the export pipeline and have recently appointed a joint technical adviser. It is expected that a final decision on the route and commercial structure for the pipeline will be determined in 2015 allowing the regional project to be jointly sanctioned around the end of 2016.

Discoveries secure future growth

Tullow is fortunate that its exploration team has, over the past decade, found substantial quantities of oil in Ghana, Uganda and Kenya that the development team can now take through to production. Because of the very low operating costs per barrel, the quality of the oil discovered and the access to global markets, these are some of the best production and developments assets in the sector and will ensure Tullow's growth over the next decade.

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A CONSERVATIVE FINANCIAL FRAMEWORK

Throughout 2014, we responded to the changing landscape by diversifying our funding, refocusing our exploration spend and adjusting our portfolio management activities to create maximum value in the current market.



IAN SPRINGETT CHIEF FINANCIAL OFFICER

In light of the challenging market conditions, Tullow carried out a strategic review of the business during the year. The decision was made that capital would be re-allocated to producing assets and the selective commercialisation of existing discoveries as these will add significant cash flow and value to the business in the near-to-medium term. The TEN Project and the Jubilee field in Ghana along with non-operated producing fields in West Africa are therefore going to be the priority projects for Tullow in the near term. As a result, the Group has significantly reduced its exploration spend going forward, with the main focus for drilling activities being the cost efficient onshore operated exploration and appraisal programme in Kenya where Tullow hopes to add to the significant resources already discovered.

“Tullow continues to be focused on ensuring it has a diversified funding base that enables the Group to fund its development and exploration activities.”

Balance sheet strength and flexibility

The revised capex guidance is an indication of the flexibility we have across the Group portfolio and the conservative approach to our financial planning. Tullow generates strong cash flow from its West African assets and this will be significantly enhanced when the

TEN Project comes on stream in mid-2016. Tullow continues to be focused on ensuring that it has a diversified funding base that, along with operating cash flow, enables the Group to fund its selective development projects and exploration activities. The diverse debt funding the Group has in place, including the RBL, corporate facilities and Senior Notes, provides significant headroom to fund ongoing operations. During 2014, Tullow successfully completed the issuance of its second \$650 million Senior Note, increasing the diversity of the Group's debt financing and adding further debt facility headroom.

2014 financial results

The financial results for 2014 have been impacted by a number of factors with the Group making a loss from continuing activities after tax of \$1,640 million (2013: \$216 million, profit). The loss after tax was primarily caused by a significant increase in exploration costs written off, impairments on carrying values of assets and a loss made on disposals.

Operating cash flow before working capital movements remained significant, albeit decreased by 19% to \$1.5 billion (2013: \$1.9 billion). The decrease was principally due to reduced realised commodity prices, especially in the second half of the year, and the sale of assets in the UK and Bangladesh and certain Gabon assets for which Tullow did not receive any revenue during the year. Offsetting these reductions was a strong performance from our high-margin West Africa production, underpinned by Jubilee field performance.

Significant incremental investment opportunities remain across our current production portfolio which should allow us to maintain and grow cash flow delivery from these assets, providing a solid financial foundation for funding the business in the future.

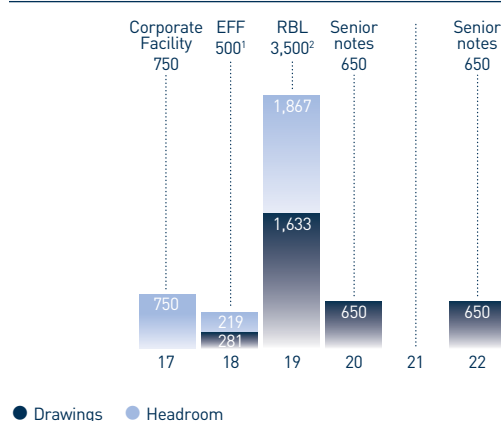
Write-downs and impairments

Given the re-allocation of capital investment towards core producing and development assets, and away from exploration, the Board at the end of 2014 reviewed the Group's five-year investment plan and past capitalised costs. The main focus of the review was on the past costs associated with the French Guiana drilling programme and the Mauritania licences and decisions around the Frégate and Banda discoveries. While significant upside potential still exists for these assets, the Board decided not to allocate near-term capital to these areas. This has resulted in substantial non-cash exploration write-downs in 2014 of \$854 million after tax relating to prior year activities. The total exploration write-off for the year also includes write-offs related to 2014 drilling activities of \$406 million after tax.

The impairment charge for 2014 includes a review of carrying values of all PP&E assets in light of current commodity prices and an assessment of the carrying value of goodwill in relation to the Spring Energy acquisition in Norway. The result of this review has seen impairment charges for 2014 of \$596 million and \$133 million respectively.

During 2014 the Group recognised a loss on disposal of \$482 million principally in respect of a reassessment of the recoverability of the Uganda contingent consideration, resulting in a write-down of \$370 million and a loss on disposal of Schooner & Ketch (UK) of \$90 million.

DEBT MATURITY PROFILE



Hedging strategy

As part of our financial planning, Tullow has an ongoing hedging programme. Tullow uses a range of financial derivatives, including puts and collars, to mitigate the commodity price risk associated with its underlying oil and gas revenues. At the start of any given year our general strategy is to have 60% of our oil and gas sales entitlement volumes hedged in year one, 40% in year two and 20% in year three. At 10 February 2015, Tullow had hedges in place with an average floor price of \$86/bbl for approximately 60% of total 2015 oil production. If the oil price recovers above the floor price, Tullow will benefit in full. The mark-to-market value of our hedging position at the end of 2014 was around \$500 million.

Outlook for 2015 and beyond

In addition to the strategic review that the Group recently carried out, Tullow will continue to maintain a conservative financial framework and concentrate on a rigorous approach to both capital allocation and cost control, and to keep monitoring the oil price. In 2015, the Group's capital investment is forecast to be up to \$1.9 billion. Investment in TEN will peak in 2015 ahead of first oil in mid-2016. The Group will start to de-leverage once TEN is on stream and will manage its future East Africa development costs in an appropriate and timely manner within the constraints of the balance sheet, available funding, oil price and the timing of government approval. Exploration spend has been significantly reduced to around \$200 million in 2015 and will remain at these levels for the foreseeable future. Whilst the market for portfolio management has been extremely challenging for the past couple of years, Tullow will continue to review opportunities to monetise assets across its portfolio. This important element of the Group's strategy allows Tullow to generate returns from its previous investments and re-allocate capital across the business to the areas that generate the highest returns.

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PRIORITISING SUSTAINABLE OPERATIONS

For Tullow, being a Responsible Operator involves placing equal importance on above and below ground risks, and embedding this into our operational planning and delivery.

Our goal is to manage our people and assets safely and sustainably, minimising our environmental and social impacts, and to achieve the highest standards of health and safety. This involves protecting the natural and cultural environments we operate in, and maintaining the health, safety and security of our employees, contractors and communities, as well as respecting the human rights of people who might be impacted by our activities.

Our EHS scorecard is part of our Group KPIs and accounts for 10% of Tullow's Incentive Plan (TIP) for Executive Remuneration. The scorecard comprises 16 leading and lagging indicators, which are actively monitored at operational and Board level. Each indicator has a potential value of three points, depending on whether it is fully, partially or not achieved. In 2014, we achieved 41 points out of a maximum of 48, which reflects 8.5% of a potential 10% award in the overall TIP awards for the year.

This section summarises some of the year's most noteworthy developments as well as issues material for our business and stakeholders. Full details of our performance against our EHS scorecard can be found online at www.tulloil.com/sustainability.

Health & Safety

Following a disappointing safety performance in the first half of the year across our Kenyan and Ethiopian operations in particular, we implemented a strategy to improve performance. This involved increased leadership challenging poor performance, management, organisation, and control of work in the field. The key areas we identified for improvement were leadership and clarity of accountability, contractor management and behavioural safety. Our occupational safety performance as measured by Lost Time Injury Frequency (LTIF) of 0.58 improved by 28%, exceeding our 2014 target of 0.64. Despite our progress in this area, we remain third quartile in comparison to our International Association of Oil and Gas Producers (IOGP) peers. We will pursue further improvements in 2015 to reach our five-year target of top quartile industry performance.

Land transport safety

Land transport safety continues to represent one of the most significant safety risks to our onshore operations. In 2014, Business Units completed a gap analysis between their management approach and the Group Land Transport Safety Standard and associated guidelines (based on IOGP guidelines). Action plans were developed to address any

HUMAN RIGHTS & SECURITY IN KENYA

Tullow is committed to respecting internationally recognised human rights, as set out in the Universal Declaration of Human Rights and the ILO Declaration across our operations.

During 2014, we have conducted an independent assessment of our current policies and practices against the UNGP framework and the IFC Performance Standards. This process will inform an overall Human Rights policy revision which will be completed in 2015.

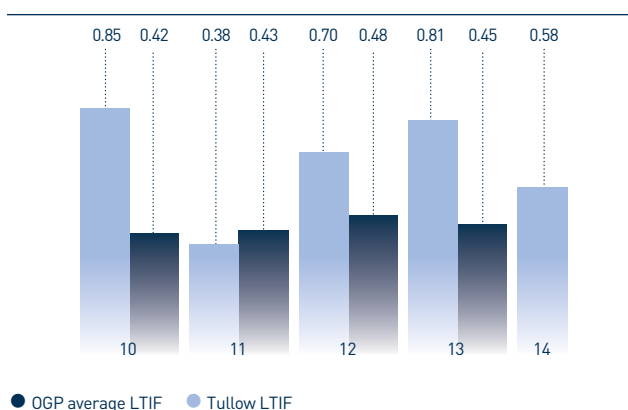
In Kenya, we operate in a highly sensitive social and ecological environment. Turkana is a remote and arid land with the majority of its population living as pastoralists in order to survive in this environment. Water is scarce and critical for drinking, domestic use, irrigation and livestock and its availability varies seasonally, with periodic droughts.

Historically, access to land in Turkana has primarily been affected by levels of insecurity. Many pastoralists have been unable to access some land due to an ongoing conflict with the neighbouring community and insecurity has also led to high levels of internal displacement.

This year we have conducted several independent security risk assessments in alignment with the guidance established by the Voluntary Principles on Security and Human Rights (VPSHRs), a convention to which we are a signatory.

Overall, our teams in-country have a very good understanding of the existing operational risks and are in the process of mitigating them, as well as identifying opportunities to support human rights alongside our operations.

LTIF RATES



gaps, and the Group evaluated their robustness. Progress was monitored by the leadership and the Board but a number of actions remained work-in-progress at the end of the year. We regret to report the tragic death of a Kenyan Police Reservist as a result of a road traffic accident. An investigation into the cause of the incident was completed and a land transport improvement plan has been initiated by the Kenya team. Vehicle Accident Frequency increased from 0.71 in 2013 to 0.77 in 2014.

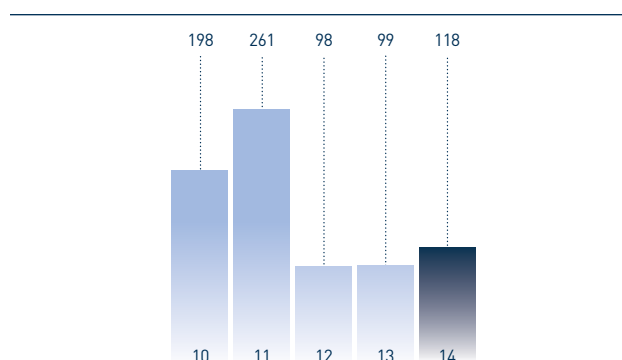
Emergency preparedness

In 2014, we focused on continuing to improve our established crisis and emergency management programme, ensuring alignment with industry best practice. We conducted a number of risk-based exercises, culminating in a major subsea containment blowout scenario in November, designed to test our response capability at all levels in the organisation. Our revised Oil Spill Preparedness and Planning Standard will help ensure Tullow is suitably prepared, resourced and equipped to respond effectively to oil spills and mitigate impacts on people, the environment, assets and reputation. Guidance documents and practical toolkits were also developed to aid the business with implementation.

Water use

While our operations in Kenya represent the highest risk in terms of water usage, 98% of Group water usage is currently seawater used for reservoir injection in Ghana (2014: 9,872,189 m³). Group fresh and brackish water usage represented 2% of our total water usage. In Kenya, the total demand for water is set to rise significantly when we reach Phase-1 development and production, because water will be required for reservoir injection. It is unlikely that the higher demand can be met from local groundwater sources within our area of operations.

A hydrogeological review of potential water sources across Kenya has identified a number of options to meet this need. These options have been analysed to take account of a range of technical, social, environmental and cost factors and key stakeholders have been and will continue to be consulted. This will be a focus in 2015 in Kenya and at Group level.

SCOPE 1 CO₂E EMISSIONS PER 1,000 TONNES OF HYDROCARBON PRODUCED

Spills and uncontrolled releases

We failed to meet the target set for 2014 with 15 uncontrolled releases of over 50 litres during the year (0.67 spills per million man hours). The volume of materials spilled increased significantly on the prior year (2013: 23 tonnes; 2014: 716 tonnes). The majority of spills (10) involved black and grey waste water spilled from camps supporting our Kenyan operations. The increase was because of one large spill of 702,000 litres in Turkana, involving a septic tank leaking into a storm water pit, which then subsequently escaped into the surrounding area. Poor performance led to management intervention to address the waste water management with contractors in Kenya.

Carbon emissions

Group GHG emissions increased by 11% largely due to temporary gas flaring at the Jubilee FPSO in Ghana. Tullow had made a commitment to the Government of Ghana and our investors to offtake the gas to the GNGC gas processing plant, however, the completion of the plant took three years longer than originally planned. Tullow avoided the need to flare for most of this period by re-injecting additional gas, but as delays continued, the reservoir re-injection capacity became depleted and we flared in order to maintain production. Although flaring across the Group is 46% higher than 2013, increased emissions from flaring were offset by reduced drilling activity and the sale of the UK and Bangladesh assets. The Ghana processing plant is now operational and the need to flare gas should cease, assuming we can continue to offtake gas to the plant.

Tullow's total scope 1 emissions, which in 2014 included gas and diesel from our offices as well as emissions from our operations, were 764,700 tonnes CO₂e (2013: 686,996 tonnes CO₂e)¹ and 118 tonnes of CO₂e per 1,000 tonnes of hydrocarbon produced (2013: 100 tonnes CO₂e). Total scope 2 emissions² were 4,179 tonnes of CO₂ (2013: 6,174 tonnes of CO₂e) and 0.64 tonnes of CO₂e per 1,000 tonnes of hydrocarbon produced (2013: 0.89). Full details of our Basis of Reporting can be found online.

1. Group CO₂e emissions between 2011-2014 have been restated because of a previously overstated proportion of methane in gas from the Jubilee FPSO.

2. Group 2014 Scope 2 emissions are reported in CO₂ instead of CO₂e, as recommended by DEFRA.



STRONG & EFFECTIVE RISK MANAGEMENT

The risks we manage have the potential to adversely impact our shareholders, employees, operations, environment, performance and assets. Mitigating these risks ultimately helps to protect our business, people and reputation.

The Board is responsible for risk management as part of its role in providing strategic oversight and stewardship of the Group. This includes approving the annual budget and five-year business plan, evaluating risks to the delivery of the plan and agreeing operational targets. Key strategic risks and opportunities are also reviewed annually by the Board. Board committees, including the Audit, Nominations, Remuneration and EHS Committees, play an important role in reviewing the effectiveness of Tullow's risk management.

In 2014, the Board focused on specific risks associated with strategy and execution, governance and values, organisational capacity, stakeholder engagement and Board development. In response to the shift in market sentiment away from exploration risk and the steep drop in oil price in the fourth quarter of the year, our focus shifted to financial risks with extensive reviews of our strategy, opportunities and exposures. Further information on our business plan and principal risks is on pages 14 and 15 of this report.

We seek to continually improve our risk management capability, and following the publication of the new UK Governance Code and FRC Guidelines on Risk Management, the Board initiated a review of our risk management process. In 2015, the Board will oversee the roll-out of an enhanced integrated risk management process, with strengthened governance and reporting requirements. The process will improve the identification, measurement and monitoring of risk, as well as effective risk assurance.

The Executive Committee, which was established in 2014, actively reviewed risks to our business plans throughout the year and also brought greater integration of our planning and management approach to our Business Units and Group functions. It also created a forum in which new risks and opportunities were discussed and risk-informed decisions about optimal courses of action were made.

In addition to the short-to-medium term risks associated with the delivery of our business plan, the Board also considered the long-term risks and opportunities we face in a wide range of business activities. This involves a critical evaluation of the risks Tullow faces and a review of our business and operational profile to ensure newly identified

risks are reflected. This process supports decision making at an asset, Business Unit, regional, functional, Group and strategic level.

The tables on pages 62 to 67 represent the Board and management's view of the most material long-term performance risks to Tullow, which remained on the Board's agenda throughout the year. They do not comprise all the risks and uncertainties we face. Risks more associated with our day-to-day activities are identified, assessed, managed and monitored at Executive, Business Unit, project or functional levels.

A number of cross-functional management committees, including the Global Exploration Leadership Team, Financial Risk Committee, Compliance Committee, and Information Security Committee, provide further assurance of the Group's technical, commercial, financial, compliance and information systems risks. On a quarterly basis, Senior Management assesses the Group's performance through Business Unit reviews, which include risk assessment and mitigation plans.

The Vice Presidents and the corporate functions co-ordinate and manage the operational activities within the Business Units. Risks in our specific countries of operation is managed by the Business Unit leadership teams through operational monitoring of asset performance. Formal operational reporting is completed weekly with monthly financial reporting to senior management, the Executive Committee and the Board. Tullow's key policies, standards, procedures and systems to support risk management are referenced in the 'long-term risks' table on pages 62 to 67.

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OUR INTEGRATED GOVERNANCE & RISK FRAMEWORK

Our integrated governance and risk framework demonstrates the key risks associated with each of our strategic priorities and how they could impact our performance. The framework also identifies the Executive Directors that have overall responsibility for each risk and the internal committees that are responsible for the ongoing management and monitoring of our risk exposure.



Business model component	Key risks to performance	Risk owner	Risk assurance
Sustainable long-term value growth	<ul style="list-style-type: none"> Strategy fails to meet shareholder expectations 	Aidan Heavey Chief Executive Officer	<ul style="list-style-type: none"> Board Executive Directors Executive Committee
Exploration & Appraisal	<ul style="list-style-type: none"> Sustained exploration failure 	Angus McCoss Exploration Director	<ul style="list-style-type: none"> Executive Committee Global Exploration Leadership Team
Development & Production	<ul style="list-style-type: none"> Key operational or development failure 	Paul McDade Chief Operations Officer	<ul style="list-style-type: none"> Executive Committee Development & Operations
Finance & Portfolio Management	<ul style="list-style-type: none"> Insufficient liquidity, inappropriate financial strategy Cost and capital discipline Oil and gas price volatility 	Ian Springett Chief Financial Officer	<ul style="list-style-type: none"> Executive Committee Financial Risk Committee
Responsible Operations	<ul style="list-style-type: none"> Safety failure or environmental or security incident Failure to manage social impacts Supply chain failure 	Paul McDade Chief Operating Officer Graham Martin Executive Director & Company Secretary	<ul style="list-style-type: none"> Board EHS Committee
Governance & Risk Management	<ul style="list-style-type: none"> Bribery and corruption internally, with suppliers and externally Governance and legal risk Political risk Information and cyber security 	Graham Martin Executive Director & Company Secretary Angus McCoss Exploration Director	<ul style="list-style-type: none"> Board Compliance Committee Executive Committee Information Systems Leadership Group
Organisation & Culture	<ul style="list-style-type: none"> Loss of key staff and succession planning 	Graham Martin Executive Director & Company Secretary	<ul style="list-style-type: none"> Executive Committee
Shared Prosperity	<ul style="list-style-type: none"> Failure to manage socio-economic impacts Failure to build local employment and supplier base 	Aidan Heavey Chief Executive Officer	<ul style="list-style-type: none"> Executive Committee

HIGH STANDARDS OF CORPORATE GOVERNANCE

DEAR SHAREHOLDER

The Board remains focused on effective risk management and strong corporate governance. We have reviewed the changes to the 2014 UK Corporate Governance Code (the Code) and the key changes to the Code relate to remuneration, risk management and long-term viability. Tullow believes it is already largely compliant, but further assessment and actions will take place in 2015, particularly in regard to risk management, internal controls and long-term viability. We believe that the remuneration policy approved by shareholders at the AGM in 2014 remains fully compliant and, while the performance of 23% against the scorecard this year was disappointing, it indicates that the performance targets were appropriately stretching.

Board performance in 2014

The core purpose of the Board is to set the strategy of the Group to deliver long-term sustainable value for the benefit of all stakeholders. To achieve this, the Board seeks to ensure that we have in place the right people, processes and organisational design.

During the course of 2014, the Board revised the Group strategy in response to market conditions in order to preserve value and to reposition the Group for long-term success. A core part of the strategy set out in 2013 was to monetise part of our portfolio in order to fund exploration-led growth. As market conditions deteriorated, the value of offers received in various sales processes did not meet expectations. Accordingly, in early 2014 we reduced expenditure on high-cost, deepwater exploration and strengthened the balance sheet so that we would not become forced sellers of assets. We also reconfirmed our prudent approach to managing commodity price risk, as a result of which we have hedged approximately 60% of our 2015 entitlement oil sales at an average floor price of US\$86 per barrel.

At the end of the year we announced a significant reallocation of capital expenditure from exploration to development and production projects that will generate cash returns in the short-to-medium term. We also launched a project to simplify and streamline the Group, in order to minimise costs and create a leaner, 'fit for purpose' organisation to deliver the revised strategy. None of these changes were contemplated at the start of the year and the rapid response of management and the Board underlines our dynamic approach to strategy and risk management.

Despite these changes, we remained focused on delivering the other 2014 Board objectives (see page 74). During periods of uncertainty and change it is easy to lose focus on safety. While our safety performance was disappointing in the first half of the year, I am pleased that performance improved over the second half of 2014 with increased leadership visibility on the recent challenges and better management, organisation, and control of work in the field. We also continued to roll out new process safety standards and procedures. Community engagement, social performance and security and human rights training were all significantly strengthened in response to the continuing challenges of operating in frontier regions in Africa. Political risk evaluation and reporting were also improved.

Ethics and values

Tullow's commitment to transparency, demonstrated by our voluntary reporting of all payments to governments ahead of the EU transparency directive, has received wide recognition. However, the reputation of the Company depends not only on policy, but also on the day-to-day behaviour and values of every employee and contractor. Our Code of Business Conduct (COBC) is at the heart of how we do business.

We were therefore pleased that our COBC was ranked best in the FTSE100 and ahead of many leading European companies in a recent survey by the Red Flag Group, but the training given to staff on compliance with the COBC is perhaps even more important. By the end of 2014, 1,928 members of staff, representing 94% of the workforce, had attended a three-hour awareness programme. We have also developed an e-learning tool for all staff, including those whom we were unable to reach with face-to-face training. Notwithstanding these efforts, there were 68 concerns raised during 2014 of which 20 were submitted via Safecall, our independent, confidential reporting line. As a consequence of investigations, 26 staff and supplier personnel left the Group due to breaches of our COBC. Although it is regrettable that such actions should be necessary, they underscore the Board's commitment to compliance with the COBC and our zero tolerance approach to corruption in any form.

Stakeholder engagement

Last year we drew attention to our engagement with the World Bank, bilateral aid agencies and civil society to raise awareness of the need for capacity-building to enable the countries where we operate to develop effective legal,

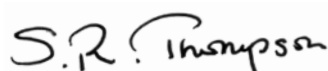
"Tullow is proud to have been assessed by Transparency International as having 100% transparency in our anti-bribery and corruption reporting."

fiscal and regulatory frameworks to manage the development of the oil industry and the revenues it will generate. We are pleased to report that during 2014, the World Bank approved a \$50 million technical assistance programme for Kenya, while the UK's Department for International Development approved £25 million support for skills development in the oil and gas sector in Kenya, Uganda, Tanzania and Mozambique. This will support the development of technical and vocational training to ensure local people benefit from the major investments in their countries. We were also pleased to be invited to participate in the London launch of the 'Agenda for the Development of Kenya's Oil and Gas Resources', published by the Kenyan Civil Society Platform for Oil and Gas.

We continue to regard strong governance, effective and predictable regulation, and the transparent use of resource revenues to provide tangible benefits to the citizens of the countries where we operate, as key enablers of our strategy.

Board evaluation

An independent evaluation of the Board was conducted by Lintstock in 2013. In 2014, we conducted a follow-up internal evaluation with support from Lintstock consisting of a questionnaire, one-to-one discussions between the Chairman and each of the Directors, and a Board review of the conclusions and recommendations. Overall the evaluation was positive. The Board has been strengthened due to the more recent appointment of Directors such as Mike Daly and Jeremy Wilson, who have expertise that is directly relevant to the challenges that we face, and the Directors believe that the performance of the Board has improved over the year. There was strong alignment on the revised strategy and the specific actions required to execute it, which are reflected in the 2015 Board objectives set out on page 74. As a result of the exercise, amongst other things, the Board agreed to review the annual number of Board meetings, address the process around documentation provided to the Board, and consider further mechanisms to increase the interaction between the Board and top management. A full description of the review is on page 73.



Simon R Thompson
Chairman

10 February 2015

BOARD COMMITTEES



Audit Committee

STEVE LUCAS, CHAIR OF THE AUDIT COMMITTEE

Responsible for ensuring our financial statements give a true and fair view of the business.

> page 79



Nominations Committee

SIMON THOMPSON, CHAIR OF THE NOMINATIONS COMMITTEE

Ensures the balance of skills and expertise of the Board remains appropriate to meet the needs of the Company.

> page 84



EHS Committee

ANNE DRINKWATER, CHAIR OF THE EHS COMMITTEE

Responsible for monitoring and advising on the Group's EHS policies and performance.

> page 86



Remuneration Committee

JEREMY WILSON, CHAIR OF THE REMUNERATION COMMITTEE

Responsible for determining and agreeing the Executive Directors' remuneration policy.

> page 88



¹ SIMON THOMPSON **CHAIRMAN**

Simon Thompson (age 55, British) was appointed as a non-executive Director in 2011 and as non-executive Chairman in January 2012. Simon brings extensive international investment banking and natural resources experience, especially in Africa. Simon held investment banking roles before he joined the Anglo American Group in 1995, where he held a number of senior positions and was an Executive Director of Anglo American plc from 2005 to 2007.

Committee membership

Nominations (Chair),
Remuneration and EHS Committees.

Other directorships and offices

Simon is a non-executive Director of Sandvik AB (Sweden), Amec Foster Wheeler plc (UK) and Rio Tinto plc (UK) and Rio Tinto Limited (Australia).



² AIDAN HEAVEY **CHIEF EXECUTIVE OFFICER**

Aidan Heavey (age 61, Irish) is the founder of Tullow Oil and has been Chief Executive Officer since 1985. He has played a key role in Tullow's development as a leading independent oil and gas exploration and production group.

Other directorships and offices

Aidan is a director of Traidlinks, an Irish-based charity established to develop and promote enterprise and diminish poverty in the developing world, particularly in Africa. He is a member of the UCD Michael Smurfit Graduate Business School Advisory Board, Dublin.



³ IAN SPRINGETT **CHIEF FINANCIAL OFFICER**

Ian Springett, (age 57, British) a Chartered Accountant, was appointed to the Board of Directors in 2008. Prior to joining Tullow Ian worked at BP for 23 years where he gained extensive international oil and gas experience. Ian held a number of senior positions at BP, including Vice President of BP Finance and US CFO; and served as a Business Unit Leader in Alaska.



⁴ GRAHAM MARTIN **EXECUTIVE DIRECTOR & COMPANY SECRETARY**

Graham Martin (age 60, British) is a solicitor (admitted in England and Wales) and joined Tullow as Legal and Commercial Director in 1997. Graham served as Tullow's General Counsel from 2004 to 2013 and has over 30 years' experience in international corporate and energy transactions. He was appointed Company Secretary in 2008.

5 PAUL McDADDE **CHIEF OPERATING OFFICER**

Paul McDade (age 51, British) was appointed to the Board of Directors in 2006 having joined Tullow in 2001. Paul was appointed Chief Operating Officer following the Energy Africa acquisition in 2004, having previously managed Tullow's UK gas business. An engineer with over 25 years' experience, Paul has worked in various operational, commercial and management roles with Conoco, Lasmo and ERC. He has broad international experience having worked in the UK North Sea, Latin America, Africa and South East Asia and holds degrees in Civil Engineering and Petroleum Engineering.

Committee membership
EHS Committee.

6 ANGUS MCCOSS **EXPLORATION DIRECTOR**

Angus McCoss (age 53, British) was appointed to the Board of Directors in 2006 following 21 years of wide-ranging exploration experience, working primarily with Shell in Africa, Europe, China, South America and the Middle East. Angus held a number of senior positions at Shell, including Regional Vice President of Exploration for the Americas and General Manager of Exploration in Nigeria. He holds a PhD in Structural Geology.

Other directorships and offices
Angus is a non-executive Director of Ikon Science Limited and a member of the Advisory Board of the industry-backed Energy and Geoscience Institute of the University of Utah.

7 ANN GRANT **SENIOR INDEPENDENT DIRECTOR**

Ann Grant (age 66, British) was appointed as a non-executive Director in May 2008 and Senior Independent Director in April 2014. Most recently, Ann was Vice Chairman Africa at Standard Chartered Bank from 2005 to 2014. Her earlier career was as a British Diplomat, from 1971 to 2005. From 1998 she worked at the Foreign and Commonwealth Office in London as Director for Africa and the Commonwealth, and from 2000 to 2005 was British High Commissioner to South Africa.

Committee membership
Audit and Nominations Committees.

Other directorships and offices
Ann is a Board member of the Overseas Development Institute and a council member of the London School of Hygiene and Tropical Medicine and the Rift Valley Institute. She also chairs the Serious Music Trust.

8 TUTU AGYARE **NON-EXECUTIVE DIRECTOR**

Tutu Agyare (age 52, Ghanaian) was appointed as a non-executive Director in August 2010. He is currently a Managing Partner at Nubuke Investments, an asset management firm focused solely on Africa, which he founded in 2007. Previously, he had a 21-year career with UBS Investment Bank, holding a number of senior positions, most recently as the Head of European Emerging Markets, and served on the Board of Directors.

Committee membership
Audit, Nominations and Remuneration Committees.

Other directorships and offices
Tutu is a director of the Nubuke Foundation, a Ghanaian-based cultural and educational foundation.

9 STEVE LUCAS **NON-EXECUTIVE DIRECTOR**

Steve Lucas (age 60, British) was appointed as a non-executive Director in March 2012. A Chartered Accountant, Steve was Finance Director at National Grid plc from 2002 to 2010 and previously worked for 11 years at Royal Dutch Shell and for six years at BG Group, latterly as Group Treasurer.

Committee membership
Audit (Chair), Nominations and Remuneration Committees.

Other directorships and offices
Steve is a non-executive Director of Acacia Mining plc (UK).

10 ANNE DRINKWATER **NON-EXECUTIVE DIRECTOR**

Anne Drinkwater (age 59, British) was appointed as a non-executive Director in July 2012 after a long career at BP where she held a number of senior business and operations positions including President and Chief Executive Officer of BP Canada Energy Company, President of BP Indonesia and Managing Director of BP Norway.

Committee membership
EHS (Chair), Audit and Remuneration Committees.

Other directorships and offices
Anne is a non-executive Director of Aker Solutions ASA (Norway).

11 JEREMY WILSON **NON-EXECUTIVE DIRECTOR**

Jeremy Wilson (age 50, British) was appointed as a non-executive Director in October 2013 following a 26-year career at J.P. Morgan where he held a number of senior positions, most recently Vice Chairman of the Energy Group.

Committee membership
Remuneration (Chair) and Audit Committees.

Other directorships and offices
Jeremy is a non-executive Director of John Wood Group PLC (UK).

12 MIKE DALY **NON-EXECUTIVE DIRECTOR**

Mike Daly (age 60, British) was appointed as a non-executive Director in June 2014 following a 28 year career at BP where he held a number of senior roles. Most recently, he was Executive Vice President Exploration, and a member of BP's Group Executive team until January 2014.

Committee membership
Audit and EHS Committees.

Other directorships and offices
Mike is a member of the World Economic Forum's Global Agenda Council on the Arctic, an advisory Board member of the British Geological Survey and a visiting professor at the University of Oxford.

MORE INFORMATION

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ADAPTING FOR FUTURE SUCCESS

The current market conditions have created uncertainty in the global oil and gas sector. However, the commitment and strength of our teams will help ensure that we will be well placed to deliver our strategy and capitalise on opportunities when more favourable market conditions return.

As we work to build a strong and unified culture and organisation within Tullow, we focus on our Company values, employee engagement, learning and development, performance management and reward.

Managing highly complex projects in remote and sensitive environments depends on our ability to attract, develop, and retain talented people who can deliver our business plans while demonstrating our Company values and behaviours.

Tullow's total workforce at the end of 2014 was 2,042 (2013: 2,034) with 1,595 permanent staff (2013: 1,553) and 447 contractors (2013: 481). Tullow's voluntary turnover of staff in 2014 was 5.2% (2013: 4.5%).

Contractor management

Contractors make up 22% of our total workforce and a significant proportion of our operational delivery is achieved through the services of local and global suppliers who in turn employ sub-contractors on fixed term contracts.

As our Kenyan operations are currently at the exploration and appraisal stage, the majority of employment opportunities we offer to local people are short-term.

In September 2014, the contracts of some sub-contractors were due to come to an end and protests were staged in response, resulting in a slow-down in activity at some of our sites. Earlier in the year, another protest was staged by other sub-contractors concerning their wages and benefits, which again, led to a slow-down in activity at some of our sites.

In both instances, we resolved the issues through discussions and negotiations with the relevant national and county leaders and our suppliers. We remain committed to using as many local workers and local services as possible. During the peak of our activities in 2014, almost two-thirds of the 3,500 Kenyans employed as sub-contractors through our supply chain were from Turkana.

People development

We continue to identify all business critical roles within our Business Units, functions and locations and ensure that succession plans are in place to prevent disruption to our operations. We do this to better understand our people's career aspirations, strengths and competencies and we can now track their development throughout the organisation.

EMPLOYEE ENGAGEMENT

Our annual engagement survey, Engage Tullow, gives employees the opportunity to provide feedback on their experience of working for Tullow. It also identifies the areas where we need to improve and areas of good performance on which we can build. Participation in the survey was better than in previous years, with 85% of Tullow employees and full-time contractors taking part (2013: 82%) and nearly 69% letting us know what they liked most about the Company and what they would like to improve (2013: 69%).

Despite this increased participation, engagement scores of 72% were down on the previous year (2013: 77%); a trend which is disappointing and one that we will look to reverse. While the survey highlighted that the significant majority of our people are proud to work for Tullow and would recommend Tullow as a good place to work, the scores for these indicators were down on the previous year's survey results. The survey highlighted areas for improvement which were consistent with those raised in last year's survey, including organisational efficiency, collaboration and effective communications.

81%
of employees are proud to work for Tullow, however only 49% of employees see Tullow as an efficient organisation, an issue we are looking to address through the simplification project.

In 2014, we provided training and development for our employees through on-the-job development, externally sourced courses and in-house development programmes. For high-potential staff, we look for international opportunities that best suit their skills and offer the chance for further development.

The dynamic nature of our business over the last three years has allowed us to assign people across functions and locations at entry, mid-career and senior leadership levels.

Our development programmes continue to grow and progress:

- We invested over \$8 million in training and development which represents an average investment of \$5,000 per person (2013: \$5,000) across the Group;
- 16 employees graduated this year from our successful Well Engineering Graduate Training Programme;
- 16 employees from our host countries are currently on our Production Technicians & Supervisors Training Programmes;
- 25 employees from our host countries are on international development secondments;
- 48% of permanent vacancies were filled internally;
- 95 people were given feedback through personality profiling; and
- Over 100 managers attended a management training course.

Responding to market conditions

The Company is also responsive to strategic changes to our business. Year-end challenges to the business due to low oil prices and other factors led us to initiate a simplification project to position us for future success. We will adjust our organisational design to simplify how we operate and improve our efficiency. This is a key area for improvement as identified in our staff engagement survey, for a second year running. The results of this work will be put into action during 2015.

We are committed to treating our people with dignity and respect through this challenging period and intend to emerge from this as a stronger company and one that is able to seize the opportunities the market will present.

DIVERSITY

We aim to create a working environment in which all individuals are treated fairly and respectfully and have equal access to opportunities. We are proud to employ 62 nationalities across 20 countries. Women continued to make up 29% (583/2,042) of our total workforce in 2014. In addition, 8% (4/53) of our Senior Management and 17% (2/12) of our Board of Directors are female.

While each of our key African Business Units is headed by African nationals, only 19% (10/53) of our Senior Management is represented by African nationals, something we are working to improve through our long-term development assignments.

During December 2014, the Board reviewed progress on achieving our diversity targets and agreed that a new action plan should be developed in early 2015 to accelerate progress in developing a more diverse pipeline of Senior Managers to fill the most senior positions in the Company.





DEFINING OUR SOCIAL & ECONOMIC IMPACT

The ultimate aim of shared prosperity is to create a positive and lasting benefit, both to our shareholders and to the economic and social development of the communities and countries where we operate.

We contribute to creating shared prosperity in the countries where we operate through foreign investment, local procurement, local employment, capacity-building and complete transparency on payments to government.

The significant impact we make through the taxes and oil revenues we pay to host governments highlights the need for good tax governance and transparency by both industry and government. This helps to create a predictable environment which facilitates the investment of billions of dollars required for the development and production of oil resources.

Tax transparency

2014 is the third year we have reported payments to governments in our countries of operation and the second year we have reported in line with the EU Accounting Directive, which includes reporting at a project level. This effort was in advance of the UK enacting the relevant legislation.

Our payments to governments, including payments in kind, amounted to \$518 million in 2014 (2013: \$870 million). Total payments to employees, suppliers and communities,

as well as governments, brought our total socio-economic contribution to \$1.4 billion (2013: \$1.6 billion) across our global businesses. In 2014, Tullow's contribution in the form of taxes to host governments in Africa amounted to \$674 million (2013: \$881 million).

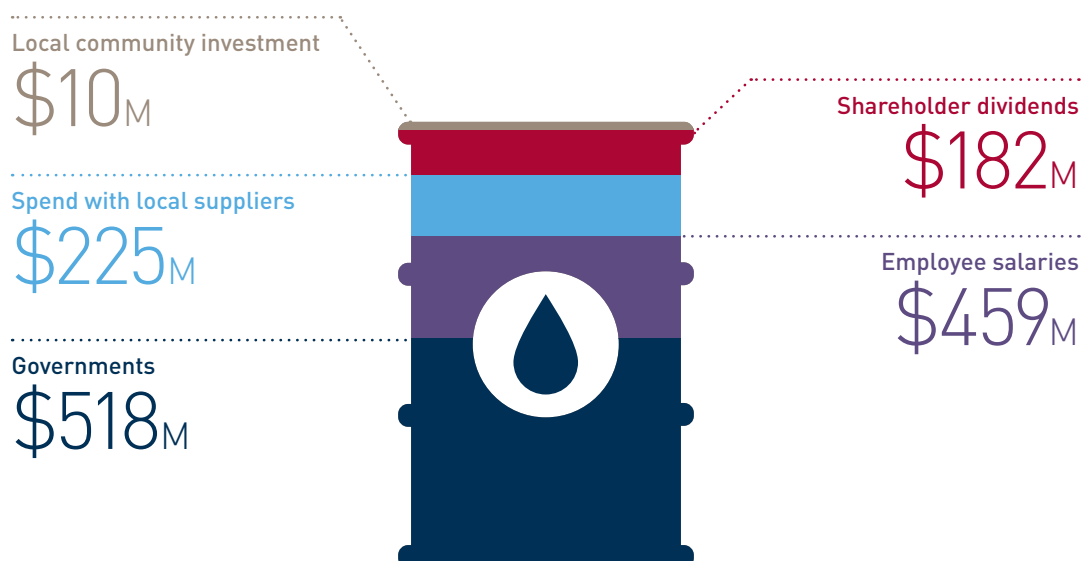
Full disclosure under the EU Accounting Directive of taxes and other payments to governments of our host countries in 2014 can be found on page 169.

Local participation

As well as generating revenue for governments, our activities also present an opportunity to create jobs, develop capacity in parts of the national workforce, create local business opportunities and encourage foreign direct investment through our international supply chain.

We maximise opportunities for local businesses in our supply chain, and our local content strategy helps them to grow and develop so they can secure work from international companies. We reinforce this work through our contracting strategy which requires international suppliers to set out, in their tender documents, their commitment to developing local companies which are part of their supply chain.

TOTAL ECONOMIC CONTRIBUTION



In particular, we look for tangible evidence of a long-term commitment to investing in our countries of operation and for suppliers to demonstrate how they will provide opportunities for local enterprises to supply goods and services. In 2014, Tullow and our partners spent \$225 million with local suppliers (2013: \$217 million) and \$1.1 billion with international suppliers who are registered in our countries of operation, and who pay taxes and hire staff locally.

It can, however, take time and effort to build the necessary capabilities so that local businesses can meet the standards that Tullow adopts in its work. Therefore we arrange contractor forums to provide the support to enable them to become suppliers both to Tullow and to the wider oil and gas sector.

Building local capacity

Tullow invests in building local capacity through investments in education. One way we do this is through partnerships with local educational institutions and governments to build capacity and provide a pipeline of skilled workers for the future. Developing these opportunities is an important part of our strategy and Tullow's way of doing business.

In Ghana, the Jubilee Partners' commitment to the Jubilee Technical Training Centre allowed for the training of close to 70 people in 2014 for skilled oil and gas jobs. We also supported the Government of Ghana-led Enterprise Development Centre in Takoradi which provided over 80 small to medium-sized enterprises with the necessary skills to compete for contracts in the oil and gas sector.

Our Tullow Group Scholarship Scheme, now in its fourth year, provided international scholarships to over 110 students in 2014. Over 340 students have now been sponsored on post-graduate degree courses since its inception.

Local jobs

Our localisation policy, introduced in 2012, includes detailed performance metrics which monitor localisation rates across all of our business units. We also work closely with our host governments to ensure that their expectations around skills localisation are balanced with operational and labour market realities. This year, employees who are nationals of their host countries made up 83% of our permanent staff based in Africa (2013: 85%). This ratio will change over time as some of our onshore projects move into the construction phase. We continue to utilise expatriate staff to enable the transfer of unique technical skills to local staff as part of our ongoing localisation efforts.

While we remain committed to maximising opportunities for local jobs and local businesses for the long term, the drop in oil price in the second half of the year and into 2015 will present us with challenges as to the scale of the opportunity that can be created. We will continue to favour local suppliers, subject to their meeting our requirements for performance, reliability, safety, sustainability and cost-competitiveness.

INVEST IN AFRICA

In 2012, Tullow helped to launch and provided initial investment for Invest in Africa (IIA). Since that time, IIA has created an online directory of Ghanaian businesses called the African Partner Pool (APP). The APP is a virtual marketplace where international companies such as Tullow can connect with registered local suppliers to help them meet their business needs.

The APP allows businesses in Ghana to promote their products and services to international and domestic buyers across sectors, while IIA's independent validation of these local suppliers gives buyers the confidence to do business.

Through the APP, Ghanaian SMEs can view tender opportunities from multiple buyers, apply for business skills training, and give and receive feedback. The APP also features an online business hub, where SMEs can access best practice guides written by influential partners and successful business leaders on how to gain competitive advantage and improve their likelihood of winning new business.



This Strategic Report and the information referred to herein have been approved by the Board and signed on its behalf by:

Graham Martin
Executive Director and Company Secretary

FOCUSED ON MAXIMISING CASH FLOW FROM OUR WORLD-CLASS ASSETS

DIRECTORS' REPORT

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Tullow is focused on developing
the discovered resources in Kenya in a
collaborative and efficient manner.

TERESA REDONDO-LOPEZ
LEAD GEOPHYSICIST, KENYA DEVELOPMENT TEAM, LONDON BASED

WEST & NORTH AFRICA



E Exploration D Development P Production ★ Key offices

Ghana

Jubilee

The Jubilee field exceeded its gross production target during 2014 averaging 102,000 bopd despite the restrictions caused by delays in the construction of the onshore gas processing plant by the Ghana National Gas Company. In 2015, average gross production is expected to be at a similar level with production building towards the FPSO capacity by the end of the year. During 2015, a continued focus on cost reduction opportunities and the careful balancing of future capital investment initiatives, including infill drilling, will be key as Tullow seeks to ensure maximum return on investment from this world-class asset.

First commissioning gas was exported from the Jubilee field to the onshore processing facility in November 2014. A stable rate of gas offtake has been achieved of between 50 and 60 mmscfd during the commissioning phase. Once fully commissioned, the gas export system capacity will be around 150 mmscfd with the rate of offtake dependent on the processing facility performance and onshore power demand. As gas exports increase, the field's gas management constraint will reduce and Tullow expects to be able to increase the oil production from Jubilee.

Regional information 2014

Countries	7
Licences	26
Acreage (sq km)	71,309
Total production (boepd)	63,400
Total reserves & resources (mmbobe)	583
Sales revenue (\$ million)	1,957
2014 investment (\$ million)	1,236

The completion of the final two Jubilee Phase 1A wells is planned for the first half of 2015 adding additional well capacity to maintain and build production from the field in 2015 and beyond. The Mahogany-Teak-Akasa (MTA) appraisal programme in the West Cape Three Points licence is complete and the results are currently being evaluated. The partners plan to submit to the Government, in the middle of 2015, development plans relating

to the long-term investment programme across the Jubilee field and the MTA area.

TEN

The TEN development project is progressing well and is now over 50% complete and remains within budget and on track to deliver first oil in mid-2016. The development includes the drilling and completion of up to 24 development wells which will be connected through subsea infrastructure to an FPSO vessel. Development drilling commenced in 2014 and to date all ten of the wells expected to be on stream at start-up have now been drilled with completion operations to commence in Q1 2015. The conversion of the Centennial Jewel trading tanker into the TEN FPSO continues on schedule at the Jurong Shipyard in Singapore. The overall gross capex

cost of the development remains at \$4.9 billion, with separate FPSO lease costs. Total gross capex to first oil is expected to be \$4 billion. Net capital expenditure from January 2015 to first oil in mid-2016 is expected to total \$1.4 billion.

Mauritania

Tullow has been reviewing and integrating well data to determine future drilling targets following the Frégate-1 well in Block 7 in 2013, which encountered up to 30 metres of net gas-condensate and oil pay, and the Tapendar-1 well in Block C-10 which was plugged and abandoned as a dry hole in April 2014. In June 2014, 1,786 line km of 2D seismic was acquired as part of the C-18 licence work programme. Acquisition of further 2D seismic is in progress in the C-3 licence where approximately 1,800 line km of data was shot during October and November 2014. These surveys are being used to quantify the exploration potential of both licences and define areas for future exploration activities.

On 10 February 2015, Tullow agreed to farm down a 40.5% interest in Block C-3 to Sterling Energy with Tullow retaining 49.5%. Completion of the transaction is subject to approval by the Government of the Islamic Republic of Mauritania.

Whilst significant progress was made on the Banda development project in 2014, following a review of the Group's capital budget, it was decided that funding would not be allocated to Banda in 2015. The Government of Mauritania and the other key stakeholders have been informed and are working on alternative approaches to completing the upstream section of the project.

Net production from the Chinguetti field averaged just over 1,200 bopd in 2014, in line with expectations.

Gabon

Net underlying production performance from Tullow's onshore and offshore assets in Gabon averaged an estimated 12,600 bopd in 2014. This was approximately 2,000 bopd below expectations due to underperformance at the Tchatamba and Limande fields. Reported net production, will however, be lower at 10,700 bopd due to the Government granting new production licences in respect of the Onal fields in 2014 which do not recognise Tullow's existing and valid interests in such fields. Ongoing licence discussions with the Government to rectify these licence issues are expected to be resolved in the first half of 2015.

Tullow has continued its exploration programme in Gabon and in July 2014 discovered a new oil accumulation with the Igongo-1 well. The well encountered 90 metres of net oil and gas pay and the well is expected to be brought on stream through existing infrastructure in early 2015. In October, the Sputnik-1 offshore well was drilled, testing a new pre-salt play in Gabon. The well encountered non-commercial hydrocarbons and has been plugged and abandoned.

Equatorial Guinea

The offshore Ceiba field performed well in 2014, averaging 3,400 bopd net to Tullow. A 4D seismic monitor survey was acquired in 2014 and will be used to optimise future infill drilling plans further.



Turret block being lifted into position at front of TEN FPSO, during construction in Jurong shipyard, Singapore

Production performance from the offshore Okume Complex was stable during the year and in line with expectations averaging 6,400 bopd net for the year. An infill drilling programme is under way and is expected to continue through 2015. Results to date from the infill drilling programme have been in line with expectations and are offsetting underlying field decline.

Côte d'Ivoire

Net production from the offshore Espoir field was above expectations, averaging 3,000 boepd for 2014. An infill drilling campaign in the East and West Espoir fields commenced in the second half of 2014 which is expected to have a long-term positive impact on field production. 2015 net production is expected to increase to 3,300 boepd as new wells are brought on stream later in the year.

In October 2014, Tullow completed the sale of its interests in exploration block CI-103 in Côte d'Ivoire to Anadarko.

Congo (Brazzaville)

Production from the onshore M'Boundi field was stable throughout 2014, averaging 2,500 bopd net to Tullow. Two rigs and two workover units are now operating in the field to optimise performance as part of a field redevelopment strategy.

Guinea

In March 2014, Tullow declared Force Majeure on its offshore exploration block in Guinea following a U.S. regulatory investigation of its project partner Hyperdynamics Corp. The Force Majeure was lifted in May 2014 and discussions are ongoing with the Government of Guinea and partners regarding the resumption of petroleum operations. The precise timing of the Fatala well remains dependent on a number of factors including the outcome of these discussions and the ongoing Ebola situation in Guinea.

Liberia and Sierra Leone

After evaluating its acreage position in both Liberia and Sierra Leone, Tullow took the decision not to renew its licence interests and exited both countries in June 2014 and August 2014 respectively.

SOUTH & EAST AFRICA



E Exploration D Development P Production ★ Key offices

Kenya

The Group has continued to make good progress with its E&A campaign in Northern Kenya's South Lokichar Basin. During the course of 2014, six exploration wells were drilled successfully discovering four oil fields to add to the five previous discoveries. Significant appraisal drilling and testing across a number of fields in the basin has successfully underpinned the ongoing development planning. Key results during the period have included large net oil pays at the recently drilled Ngamia-5, Ngamia-6 and Amosing-3 appraisal wells, the Twiga South-2A flow tests in October 2014 which were the highest rates in the basin to date, and exploration success at Etom-1 which extended the known oil accumulation in the basin to the most northerly point.

Tullow completed the acquisition of a large 951 sq km 3D seismic survey over a series of significant oil discoveries in the western side of the South Lokichar Basin. The fast-track processed data is already available for seismic interpretation. Initial evaluation of the 3D seismic data indicates significantly improved structural and stratigraphic definition and additional prospectivity not evident on the previous 2D seismic data. In addition to the appraisal and seismic activities, field development concept studies were completed.

Regional information 2014

Countries	5
Licences	14
Acreage (sq km)	122,405
Total reserves & resources (mmbbl)	534
2014 investment (\$ million)	606

During 2015, activities in Kenya will primarily focus on the South Lokichar Basin. A number of Extended Well Tests on the Amosing and Ngamia fields are being planned for 2015 which will provide important data along with a significant number of appraisal wells. All of this data will be utilised to prepare the Field Development Plans.

The governments of Kenya, Uganda and Rwanda have signed a Memorandum of Understanding and formed a Steering Committee to progress a regional crude oil export pipeline from Uganda through Kenya. The Kenya upstream partners have also signed a cooperation agreement with the Uganda upstream partners in support of the same objective and have completed significant pipeline studies to define the pipeline route options and the technical specifications of the pipeline. The joint venture partners are currently working with the Kenyan and Ugandan governments and their third-party technical adviser to progress the pipeline development plan. The current ambition is to reach project sanction for the development of the South Lokichar and Lake Albert resources, including an export pipeline, by the end of 2016.

Beyond the South Lokichar Basin, an exploration well was drilled in 2014 in an attempt to open a new oil basin. Kodos-1, in the Kerio Basin encountered hydrocarbon shows close to the basin bounding fault. The next well in the basin, Epir-1, which lies 25 km north of Kodos-1, was drilled and encountered encouraging oil and wet gas shows during January 2015. Both wells demonstrated a working hydrocarbon system and further exploration activities will be considered in the basin following evaluation of the data. Further exploration drilling will be carried out in 2015 with the aim of opening a new oil basin. The Engomo-1 well in the North Turkana Basin is currently drilling and will be followed by the Cheptuket-1 well (formerly Lekep-1) in the Kerio Valley Basin in the second half of 2015.

Ethiopia

Tullow continued its frontier exploration in Ethiopia in the first half of 2014 and tested two of several independent basins in the Group's acreage. The Shimela prospect in the South Omo block was drilled in May 2014 to test a prospect in a north-western sub-basin of the vast Chew Bahir Basin, but the well encountered water-bearing reservoirs and volcanics.

The Gardim-1 wildcat exploration well, also in the South Omo block, was then drilled in a separate sub-basin, in the south-eastern corner of the Chew Bahir Basin and intersected lacustrine and volcanic formations, similar to those found in the Shimela-1 well, but did not encounter oil.

Seismic interpretation continues on independent prospectivity in other sub-basins elsewhere in the licence. The Government of Ethiopia has approved Tullow's entry into the Second Additional Exploration period for the licence through to January 2017.

Uganda

A Memorandum of Understanding was signed in February 2014 by the partners and the Government of Uganda which provides a framework to achieve a unified commercialisation plan for the development of the upstream project which will enable the production of over 200,000 bopd, an export pipeline and a modular refinery initially sized for 30,000 bopd. The government is leading a process which has identified lead investors for the Refinery and the announcement of a successful bidder is expected in the first quarter of 2015. The joint venture partners in Kenya and Uganda have agreed a preferred pipeline route and are currently working with the Governments and their third party technical adviser to progress these plans.

By the end of 2014, Production Licence Applications, including Field Development Plans, had been submitted for the EA1 and EA2 fields. A Production Licence over the Kingfisher field has previously been awarded.

Pre-project development work continued in 2014 including the optimisation of well designs, the number of wells to be drilled and the design of the surface infrastructure, which resulted in a \$3 billion reduction to the estimated gross capital cost. All exploration and appraisal drilling activity in EA1 and EA2 has now been completed. The Kingfisher 4B appraisal well is currently being drilled by the Operator, CNOOC, with the ZPEB-1 Rig in the Kingfisher Production Licence.



Operations at Epir-1 wellsite, Kenya

Namibia

In December 2014 Tullow transferred its stake and operatorship in the offshore Kudu gas development project to NAMCOR, the national oil company, after the project did not rank highly enough in the Group's capital allocation process. Tullow is now providing interim technical assistance to NAMCOR as it takes over the operator role.

In October 2014, Tullow completed a farm-in to offshore exploration licence PEL 0030 which covers Block 2012A and is operated by Eco Atlantic. Tullow's interest is 25% during the seismic phase but can increase to 40% with operatorship, if a prospect is selected for drilling. This farm-in is part of acreage positioning by Tullow to target an extension of a material oil play in moderate water depths that was previously identified in PEL 0037. In November 2014, acquisition of a 3D seismic survey in PEL 0030 was completed and processing of the seismic survey acquired earlier in the year across PEL 0037 was finalised.

Madagascar

In August 2014, Tullow completed a farm out of 35% of its interest in the Mandabe (Block 3109) and Berenty (Block 3111) licences to OMV. A seismic programme planned for the Mandabe licence and a well planned in the Berenty licence have been deferred until 2016.

Mozambique

Following further technical analysis, Tullow and its partners decided not to drill a further prospect in Block 2 & Block 5. The licence expired in June 2014 and Tullow has now exited the country.

EUROPE, SOUTH AMERICA & ASIA



E Exploration D Development P Production ★ Key offices

Norway

Following the discovery of the Wisting Central field during 2013, Tullow continued to test the potential of the Hoop-Maud Basin in the Barents Sea in 2014 with the drilling of the Hanssen exploration well. The well encountered 20-25 metres of oil bearing sandstone with good reservoir properties and provides further confidence of proving up a major new commercial oil resource in the Wisting Cluster of

prospects. In the first half of 2015, Tullow will participate in the non-operated Bjaaland well which will continue the exploration of the Wisting area in the south-east of the cluster.

Elsewhere in 2014, Tullow drilled unsuccessful wells in the Norwegian North Sea at Butch-SW, Butch-East, Lupus, Gotama and Heimdalsho as part of its ongoing multi-year exploration campaign. The Langlitinden well in the Barents Sea made a non-commercial oil discovery.

Tullow sold its interest in the Brage field in Norway to Wintershall for a headline cash consideration of 45 million NOK (\$7.5 million), effective from 1 January 2014.

Regional information 2014

Countries	10
Licences	96
Acreage (sq km)	136,536
Total production (boepd)	11,800
Total reserves & resources (mmbœ)	140
Sales revenue (\$ million)	256
2014 investment (\$ million)	178

In January 2014, Tullow was awarded eight licences, four as operator, in the APA 2013 concession round. In addition, in January 2015, Tullow was awarded a further seven licences, five as operator, in the APA 2014 concession round.

In addition to the Bjaaland well, Tullow will also participate in the non-operated Hagar well in the Norwegian Sea in the first half of 2015. Preparations

for the drilling of the operated Zumba exploration well, also in the Norwegian Sea, due to be drilled in the second half of 2015, are on-going.

UK and Netherlands

Tullow signed an agreement to sell a 53.1% interest in the Schooner Unit and a 60% interest in the Ketch field in the UK Southern North Sea to Faroe Petroleum (U.K.) Limited in April 2014 and the transaction completed in October 2014. In September 2014, Tullow signed an agreement to sell its operated and non-operated interests in the L12/L15 area in the Netherlands along with non-operated interests in blocks Q4 and Q5 to AU Energy, a subsidiary of Mercuria Energy Group Ltd. This deal is expected to complete later in 2015.

Production performance in 2014 in the UK and Netherlands averaged 11,800 boepd which includes the impact of completed asset sales. The portfolio of assets under-performed during the year due to issues with the Schooner-11 well. Production guidance for the UK and Netherlands in 2015 is 6,000-9,000 boepd, which will be adjusted once asset sales are completed.

Greenland

Tullow has a 40% non-operated interest in Block 9 (Toog licence) and 3D seismic has identified a material oil prospect in the region. A 2-year extension to the first sub-period of the exploration licence was granted by Greenland authorities in November 2014. The drill-or-drop decision for the licence has now been deferred until December 2016.

South America

In Suriname, Spari, a non-operated prospect in Block 31, will be drilled in Q2/Q3 2015. An Environmental and Social Impact Assessment has been submitted ahead of a major 4,000 sq km 3D seismic programme in the Tullow-operated Block 54.

In Guyana, processing of the 3,175 sq km 3D and 857 km 2D seismic data acquired in late 2013 is ongoing. Geological studies and interpretation of intermediate seismic volumes are under way to update the prospect portfolio for the Kanuku Block, ahead of a decision later in 2015 whether to enter the next period of the licence which includes an exploration well.

Processing of the 2,000 sq km 3D seismic data acquired in Uruguay in 2013 is now complete, with final data delivered to Tullow in July 2014. Seismic interpretation and geological studies are under way to update the prospect portfolio for Block 15, ahead of a decision later in 2015 on whether to enter the next period of the licence which includes an exploration well.

The French Guiana drilling programme was completed in 2013 and Tullow is currently incorporating the results from the 2013 wells into our geological model so we can better understand the considerable remaining prospectivity and determine the future licence work programme. Although the costs relating to the Zaedyus discovery and associated licence have been written-off due to current oil prices and as no capital is being allocated to this area in the foreseeable future, Tullow believes that French Guiana remains highly prospective.

Pakistan

As part of planned divestments, Tullow signed a sale and purchase agreement for its Pakistan assets to Ocean Pakistan Ltd in October 2013 for \$25 million. In December 2014, Tullow was advised that the Government would not approve the sale due to regulatory concerns. The Kup-1 well, in which Tullow has a 30% non-operated stake, is currently drilling with a result expected in the third quarter of 2015.

Jamaica

In November 2014, Tullow signed a new Production Sharing Agreement for a large prospective acreage position offshore Jamaica. The Walton Basin and Morant Basin areas cover 32,065 sq km and include 10 full blocks and one part block in shallow water to the south of Jamaica. Tullow has committed initially to carry out low-cost offshore operations (bathymetry and drop core survey) and seismic reprocessing work ahead of making a decision whether to proceed and acquire a new 2D and 3D seismic survey in the initial three and a half year exploration period.



Top: Ketch Field platform in Southern North Sea, UK

Above: Drilling operations, offshore Norway



FINANCIAL REVIEW

Financial results summary

	2014	2013	Change
Working interest production volume (boepd)	75,200	84,200	-11%
Sales volume (boepd)	67,400	74,400	-9%
Realised oil price (\$/bbl)	97.5	105.7	-8%
Realised gas price (p/therm)	51.7	65.6	-21%
Sales revenue (\$m)	2,213	2,647	-16%
Cash operating costs (\$per boe)	18.6	16.5	-13%
Exploration write-off (\$m)	1,657	871	90%
Operating (loss)/profit (\$m)	(1,965)	381	-
(Loss)/profit before tax (\$m)	(2,047)	313	-
(Loss)/profit after tax (\$m)	(1,640)	216	-
Basic earnings per share (cents)	(170.9)	18.6	-
Cash generated from operations (before working capital) (\$m)	1,545	1,901	-19%
Operating cash flow (before working capital) per boe (\$/bbl)	56.1	59.8	-6%
Dividend per share (pence)	4.0	12.0	-67%
Capital investment (\$m)	2,020	1,800	12%
Net debt (\$m)	3,103	1,909	63%
Interest cover (EBITDA/net interest) (times)	10.4	40.2	-29.8
Gearing (net debt/net assets) (%)	77	35	42%

Production and commodity prices

Working interest production averaged 75,200 boepd, a decrease of 11% for the year (2013: 84,200 boepd). This is primarily due to the disposal of Bangladesh in 2013, the partial farm-down of Schooner and Ketch fields in October 2014, and no production from certain fields in Gabon due to ongoing licence issues partially offset by increased production from the Jubilee field. Sales volumes averaged 67,400 boepd, down 9% compared to 2013.

On average, oil prices in 2014 were lower than in 2013 due to the oil price falling significantly in the second half of the year. Realised oil price after hedging for 2014 was US\$97.5/ bbl (2013: US\$105.7/bbl), a decrease of 8%. European gas prices in 2014 were lower than 2013. The realised European gas price after hedging for 2014 was 51.7 pence/therm (2013: 65.6 pence/therm), a decrease of 21%.

Operating costs, depreciation, impairments and expenses

Underlying cash operating costs, which exclude depletion and amortisation and movements in underlift/overlift, amounted to \$512 million; \$18.6/boe (2013: \$524 million; \$16.5/boe). The increase of 13% in underlying cash operating costs per barrel is principally due to the impact of lower production on fixed costs in mature assets.

DD&A charges before impairment on production and development assets amounted to \$572 million; \$20.8/boe (2013: \$565 million; \$17.8/boe), the increase is principally driven by an increase in decommissioning estimates at year end 2013. The Group recognised an impairment charge of \$596 million; \$21.6/ boe (2013: \$53 million; \$1.7/boe) in respect of lower forecast oil and gas prices and an increase in anticipated future decommissioning costs associated with assets in the UK, Netherlands, Norway, Gabon, Congo and Equatorial Guinea. The impairment charge net of tax amounted to \$421 million. The Group recognised a \$133 million impairment in relation to goodwill recorded on the acquisition of Spring Energy, as a result of unsuccessful exploration results during the year.

Administrative expenses of \$192 million (2013: \$219 million) include an amount of \$38 million (2013: \$40 million) associated with IFRS 2 – Share-based Payments. The decrease in total general and administrative costs is primarily due to the increased allocation of costs to capital projects.

Total costs written-off	2014 \$m	2013 \$m
Exploration costs written-off	(1,657)	(871)
Associated deferred tax credit	398	174
Net exploration costs written-off	(1,259)	(697)

During 2014 the Group spent \$0.8 billion, including Norway exploration costs on a post-tax basis, on exploration and appraisal activities and has written off \$0.4 billion in relation to this expenditure. This included write-offs in Mauritania (\$200 million), Norway (\$28 million), Gabon (\$27 million), Ethiopia (\$65 million) and new venture costs (\$42 million). In addition the Group has written-off \$0.9 billion in relation to prior years expenditure and fair value adjustments as a result of licence relinquishments and a review of future work programmes based on capital relocation to focus on the Group's key development projects. This included write-offs in French Guiana (\$344 million), Mauritania (\$369 million) and Côte d'Ivoire (\$55 million).

Derivative financial instruments

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

At 31 December 2014, the Group's derivative instruments had a net positive fair value of \$471 million (2013: negative \$70 million), inclusive of deferred premium. While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a pre-tax income of \$51 million (2013: charge of \$20 million) in relation to the change in time value of the Group's commodity derivative instruments has been recognised in the income statement for 2014.

Hedge position	2015	2016	2017
Oil hedges			
Volume – bopd	34,500	25,500	12,500
Average floor price protected (\$/bbl)	85.98	82.77	82.76
Gas hedges			
Volume – mmscfd	6.77	0.62	–
Average floor price protected p/therm	53.90	63.00	–

Net financing costs

The net interest charge for the year was \$134 million (2013: \$48 million) and reflects a reduction in finance revenue associated with the interest received on settlement of the Heritage Oil and Gas High Court case in 2013 and by an increase in finance costs. The increase in finance costs is associated with the increase in net debt, but partially offset by an increase in capitalised interest due to commencement of the TEN development. The 2014 net interest charge

includes interest incurred on the Group's debt facilities and the decommissioning finance charge offset by interest earned on cash deposits and borrowing costs capitalised principally against the Ugandan assets and the TEN development.

Taxation

The net tax credit of \$408 million (2013: \$97 million, charge) relates to a tax charge in respect of the Group's North Sea, Gabon, Equatorial Guinea and Ghanaian production activities offset by the tax credits arising from Norwegian exploration and deferred tax credits associated with exploration write-offs and impairments. After adjusting for exploration write-offs and impairments, the related deferred tax benefit in relation to the exploration write-offs and impairments and profits/losses on disposal, the Group's underlying effective tax rate is 24% (2013: 32%). The decrease in underlying effective tax rate is primarily a result of higher PSC income and the tax credit recognised on the derivative financial instruments.

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

A loss from continuing activities for the year amounted to \$1,640 million (2013: \$216 million profit). Basic earnings per share was a loss of 170.9 cents (2013: 18.6 cents profit).

Dividend per share

In view of the fall in the oil price the Board is suspending the final dividend. At a time when Tullow is focusing on capital allocation, financial flexibility and cost reductions, the Board believes that Tullow and its shareholders are better served by investing these funds into the business.

Operating cash flow

Operating cash flow before working capital movements decreased by 19% to \$1.5 billion (2013: \$1.9 billion) as a result of reduced sales volumes and lower realised commodity prices partially offset by lower cash operating costs. In 2014, this cash flow together with increased debt facilities helped fund the Group's \$2.0 billion of capital expenditure in exploration and development activities and \$390 million payment of dividends and the servicing of debt facilities.

Reconciliation of net debt	\$m
Year-end 2013 net debt	(1,909)
Revenue	2,213
Operating costs	(512)
Operating expenses	(156)
Cash flow from operations	1,545
Movement in working capital	(29)
Tax paid	(34)
Capital expenditure	(2,353)
Disposals	21
Other investing activities	5
Financing activities	(390)
Cash held for sale	16
Foreign exchange gain on cash and debt	25
Year-end 2014 net debt	(3,103)

Capital expenditure

2014 capital expenditure amounted to \$2.0 billion (2013: \$1.8 billion) (net of Norwegian tax) with \$1.2 billion invested in development activities and \$0.8 billion in exploration and appraisal activities. More than 60% of the total was invested in Kenya, Ghana and Uganda and over 90%, more than \$1.8 billion, was invested in Africa. Based on current estimates and work programmes, 2015 capital expenditure is forecast to be up to \$1.9 billion (net of Norwegian tax), with \$200 million allocated to exploration and appraisal activities.

Portfolio management

During October 2014, the partial Schooner and Ketch farm-down completed, resulting in a net receipt of \$38 million in proceeds paid on completion. In September 2014, Tullow signed an agreement to sell its operated and non-operated interests in the L12/L15 area in the Netherlands along with non-operated interests in blocks Q4 and Q5 to AU Energy, a subsidiary of Mercuria Energy Group Ltd. This deal is expected to complete early in 2015. On 31 October 2014, Tullow completed an agreement to sell its interest in the Norwegian Brage field to Wintershall for net cash consideration of \$8 million with the sale being effective from 1 January 2014.

During 2014 the Group recognised a loss on disposal of \$482 million (2013: profit \$29.5 million) in respect of a write-down in contingent consideration recognised on the 2012 Uganda farm-down, payment in respect of certain indemnities granted on farm-down of Tullow's interest in Uganda, a loss on disposal of Schooner & Ketch (UK) and partially offset by a profit on disposal of Brage (Norway).

Capital market relationships

Tullow places great emphasis on achieving top quartile and best practice performance in investor relations (IR) and capital market communications. Some 28 press release announcements were issued during the year in addition to the six annual programme announcements for Results, Operational Updates and Trading Statements and Interim Management Statements. In 2014, Senior Management and IR met with over 300 institutions in the UK, Europe, North America, Africa, Asia and Australia. Management and IR

participated in 23 investor conferences and roadshows around the world. Following the success of the inaugural IR roadshow in Asia Pacific in 2013, Tullow held a second event in October 2014. Meetings were held with institutional investors in Singapore, Hong Kong, Melbourne and Sydney and generated a high level of interest in all four cities. The team also hosted a successful Capital Markets Day in June 2014 in London. Over 100 sell-side and buy-side analysts and investors attended in person and the presentations were also covered in a live webcast.

In April 2014, Tullow issued its second Corporate Bond. A roadshow was completed in the UK and the US and the IR and banking teams have increased their engagement with our bond investors through a number of high yield conferences and one-on-one meetings throughout the year.

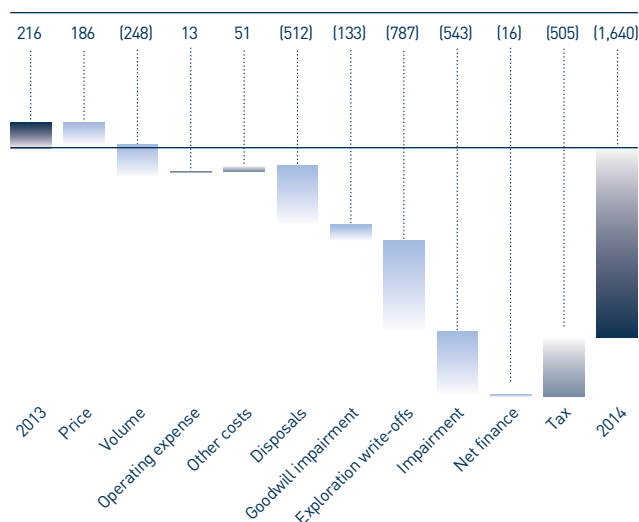
Balance sheet

On 8 April 2014, Tullow completed an offering of \$650 million of 6.25% Senior Notes due in 2022. The net proceeds have been used to repay existing indebtedness under the Company's credit facilities but not cancel commitments under such facilities. In the first half of 2014, Tullow refinanced and increased its commitments under the Revolving Corporate Facility from \$0.5 billion to \$0.75 billion and commitments under the Reserve Based Lending Facility (\$3.5 billion) remain unchanged. At 31 December 2014, Tullow had net debt of \$3.1 billion (2013: \$1.9 billion). Unutilised debt capacity and free cash at year-end amounted to approximately \$2.4 billion. Gearing was 77% (2013: 35%) and EBITDA interest cover decreased to 10.4 times (2013: 40.2 times). Total net assets at 31 December 2014 amounted to \$4.0 billion (31 December 2013: \$5.4 billion) with the decrease in total net assets principally due to the loss for the year from continuing activities.

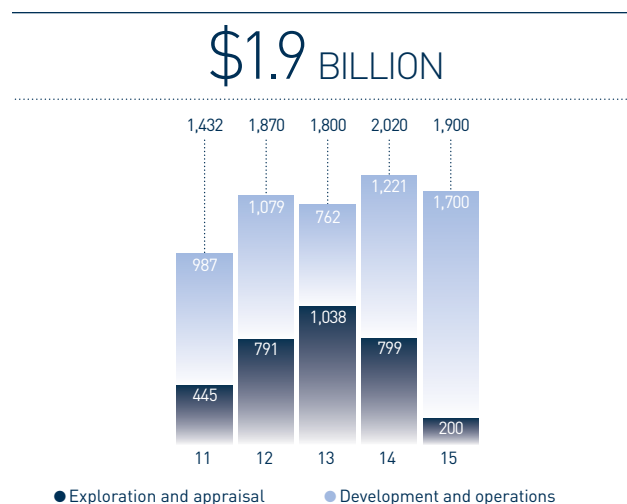
Liquidity risk management and going concern

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows,

PROFIT AFTER TAX VERSUS 2013



2015 CAPITAL EXPENDITURE



portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. In the currently low commodity price environment the Group has taken appropriate action to reduce its cost base and had \$2.4 billion of debt liquidity headroom at the end of 2014. The Group's forecast, taking into account the risks described above, show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2014 Annual Report and Accounts. Notwithstanding our forecasts of sufficient liquidity headroom through to mid-2016 when first oil from TEN is expected, there remains a risk, given the volatility of the oil price environment, that the Group could become technically non-compliant with one of its financial covenant ratios in the first half of 2016. To mitigate this risk, we will continue to monitor our cash flow projections and, if necessary, take appropriate action with the support of our long-term banking relationships well in advance of this time.

2015 principal financial risks and uncertainties

The principal financial risks to performance identified for 2015 are:

- Continued delivery of financial strategy to maintain appropriate liquidity;

- Ensuring cost and capital discipline and effective supply chain management; and
- Oil price and overall market volatility.

Events since year-end

Since the balance sheet date Tullow has continued its exploration and appraisal, development and portfolio management activities.

In January 2015, Tullow announced the results of the Ngamia-6 and Amosing-3 appraisal wells. Ngamia-6 was drilled to a final depth of 2,480 metres encountering up to 135 metres of net oil pay. The Amosing-3 well in Block 10BB continued the successful appraisal of the Amosing oil field. The well successfully encountered over 107 metres of net oil pay in good quality reservoir sands. The well reached a final depth of 2,403 metres and has been suspended for use in future appraisal and development activities.

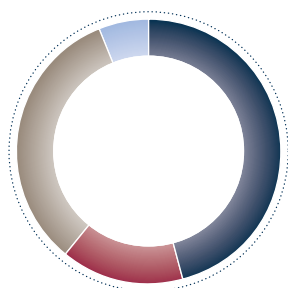
In January 2015, Tullow also announced completion of the Epir-1 exploration well located in block 10BB in the North Kerio Basin. Whilst not a discovery, the well encountered oil and wet gas shows over a 100 metre interval of non-reservoir quality rocks, demonstrating a working petroleum system in this lacustrine sub-basin.

SUBSTANTIAL SHAREHOLDINGS

As at 10 February 2015, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Rules and Transparency Rules of the following significant holdings in the Company's ordinary share capital.

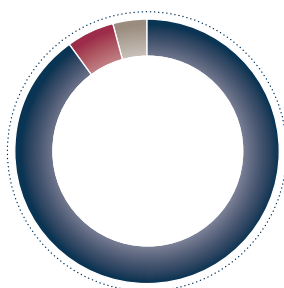
Shareholder	Number of shares	% of issued capital
Capital Group Companies	113,259,166	11.9%
Genesis Asset Managers, LLP	72,871,524	8.01%
Oppenheimer Funds Inc.	49,582,679	5.44%

SHAREHOLDER ANALYSIS BY GEOGRAPHY



● UK	46%
● Europe	15%
● North America	33%
● ROW	6%

SHAREHOLDER ANALYSIS BY CATEGORY



● Institutional	90%
● Non institutional	6%
● Miscellaneous	4%

SHAREHOLDER ANALYSIS BY INVESTMENT STYLE



● Growth	38%
● Value	16%
● GARP	16%
● Index	17%
● Other	13%



LONG-TERM RISKS

We have identified a number of risks to our longer-term performance and strategic delivery, which are in addition to the short-to-medium term risks that are specifically associated with the delivery of our business plan on page 14. Each year we review the risks Tullow faces and refresh these to reflect the changes in our business and operational profile. The tables on the following pages present the

Board and Management view of the most material and important long-term performance risks to Tullow. They do not comprise all the risks and uncertainties we face. Such risks are identified, assessed, managed and monitored at Executive, Business Unit, project or functional levels. Tullow's key policies, standards, procedures and systems to support risk management are also referenced.

Strategy fails to meet shareholder objectives

Strategic priority

Deliver substantial returns to shareholders.

Executive responsibility

Aidan Heavey

Chief Executive Officer

Performance indicator

- Long-term TSR

Impact

Ineffective or poorly executed strategy fails to create shareholder value and to meet shareholder expectations, leading to a loss of investor confidence and a decline in the share price. This in turn reduces the Group's ability to access finance and increases vulnerability to a hostile takeover.

Policies and systems

Exploration-led growth strategy, ongoing portfolio management, five year business plan, active Investor Relations programme, bi-annual investor survey, annual review of strategic objectives and monthly operational and financial reporting.

Mitigation process

Clear and consistent strategy execution, high-impact exploration and appraisal programme, selective development projects, asset monetisation across the value chain, resource growth, portfolio renewal and high-grading, strong balance sheet and financial flexibility and effective communication with all stakeholders based on open and transparent dialogue.

Risk mitigation activities and outcomes in 2014

- Proactive review, adaptation and communication of strategy. Shift away from expensive complex exploration wells to focus on lower cost plays onshore and offshore
- Exploration success in Kenya
- TEN Project on track and on budget in Ghana
- Feedback through meetings with some 300 institutions
- Capital Markets Day followed by perception survey

Cost and capital indiscipline

Strategic priority

Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.

Executive responsibility

Ian Springett

Chief Financial Officer

Performance indicator

- Cash operating costs per boe
- Finding and development costs per boe
- Capital expenditure and cost management targets
- Administrative expenses

Impact

Ineffective cost control leads to reduced margins and profitability, reducing operating cash flow and the ability to fund the business.

Policies and systems

Delegation of Authority (DoA) and budgeting and reporting processes, and project approval process for all significant categories of expenditure.

Mitigation process

Comprehensive annual budgeting processes covering all expenditure are approved by the Board. Executive management approval is required for major categories of expenditure, and

investment and divestment opportunities are ranked on a consistent basis, resulting in effective management of capital allocation.

Risk mitigation activities and outcomes in 2014

- Capital expenditure for 2014 was \$2.0 billion (2013: \$1.8 billion)
- Finding costs \$19.5 per boe (2013: \$5.1) after contingent resource bookings deferred to 2015
- Cash operating costs \$18.6 per boe
- Monitoring of expenditure integrated with quarterly Business Unit reviews of performance

Insufficient liquidity, inappropriate financial strategy

Strategic priority

Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.

Executive responsibility

Ian Springett

Chief Financial Officer

Performance indicator

- Operating cash flow
- Debt profile and capacity
- Gearing

Impact

Asset performance and excessive leverage leads to the Group being unable to meet its financial obligations. This scenario, in the extreme, impacts on the Group's ability to continue as a going concern, or causes a breach of bank covenants.

Policies and systems

Financial strategy, cash flow forecasting and management and capital allocation processes.

Mitigation process

Prudent approach to debt and equity, with a balance maintained through refinancing, cash flow from operations and portfolio management activity. Board review and approval of financial strategy. Short-term and long-term cash forecasts reported on a regular basis to Senior Management and the Board. Strong banking and equity relationships maintained.

Risk mitigation activities and outcomes in 2014

- Reserves based lending and corporate debt facilities refinanced in 2014
- Second \$650 million corporate bond issued, increasing the diversity of the Group's debt financing
- Partial sales of Schooner & Ketch UK gas assets and Brage field in Norway and agreement to sell interests in L12/L15 block, Q4 and Q5 blocks in the Netherlands
- Decision to retain current stake in TEN to first oil

Oil and gas price volatility

Strategic priority

Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.

Executive responsibility

Ian Springett

Chief Financial Officer

Performance indicator

- Realised commodity prices

Impact

Volatility in commodity prices impacts the Group's revenue streams, with an adverse effect on liquidity.

Policies and systems

Hedging strategy.

Mitigation process

Hedging strategy agreed by the Board, with monthly reporting of hedging activity.

Risk mitigation activities and outcomes in 2014

- Realised oil price \$97.5/bbl
- Realised gas price 51.7 pence per therm
- Secured average floor price for around 60% 2015 entitlement oil volumes at circa \$86/bbl

Sustained exploration failure

Strategic priority

Execute selective high-impact exploration and appraisal programmes.

Executive responsibility

Angus McCoss

Exploration Director

Performance indicator

- Resources growth
- Success ratios commensurate with E&A programme mix
- Portfolio renewal and high-grading
- Finding costs

Impact

Failure to sustain exploration success is costly and limits replacement of reserves and resources, which impacts investor confidence in long-term delivery of the Group's exploration-led growth strategy.

Policies and systems

Clear exploration strategy based on core campaigns, GELT peer challenge, competitive capital allocation process and annual E&A programme.

Mitigation process

Board approved E&A programme. Monthly reporting to the Board on finding costs per boe and high-grading of Group's portfolio, with a view to measuring success of exploration investment. Application of technical excellence and appropriate technologies in exploration methodologies.

Risk mitigation activities and outcomes in 2014

- Tullow's multi-basin campaign approach hedges the natural annual variability in exploration results
- A re-balancing of Group exploration spend away from high-cost complex drilling toward lower-cost shelf/onshore exploration with material oil potential
- The capital allocation process resulted in a prudent and risk-weighted E&A capex profile with 15% of spend on exploration business development, 20% on frontier drilling, and 65% on core activities. Notable 2014 successes included the Hanssen oil discovery in Norway, and in Kenya, the Amosing oil discovery and South Lokichar Basin appraisal programme support our 600mmbbl mean recoverable estimate for the basin to date

Key operational or development failure

Strategic priority

Safely manage, and cost effectively deliver major projects and production operations on time, while increasing cash flow and commercial reserves. Comprehensively assess, consult with stakeholders, and mitigate any potential environmental and social impacts of activities to maintain positive Company reputation with stakeholders and licence to operate.

Executive responsibility

Paul McDade

Chief Operating Officer

Performance indicator

- Annual operations targets, including safety, social performance and environment indicators
- Delivery targets for project budget estimates and schedule forecasts
- Production forecasts
- Maintenance hours and backlogs on preventative equipment
- Well and surface asset integrity indicators

Impact

- Project and operational delivery fails to meet cost and schedule budgets or operational objectives, causing returns to be eroded
- Activities negatively affect the environment and local communities, impacting Company reputation and licence to operate

Policies and systems

- An Integrated Management System (IMS) including Operational, Financial, People and Safety, Sustainability and External Affairs (SSEA) principles, policies, and standards
- Well-defined accountabilities for Development and Operations staff and leadership
- Clear Delegation of Authority (DoA) of financial controls
- Code of Business Conduct
- Asset delivery risk management including the process for multi-discipline major project reviews/audits at various stage gates from project concept through to execution

Mitigation process

- Multi-discipline project review/audit of 'stage gate' process by experienced professional personnel including Technical, Financial/Economic, Safety, Sustainability, Commercial, Operational and Political aspects
- Executive and Board approval required for all major projects and for staffing all dedicated project teams
- Multi-discipline risk evaluation, mitigation and monitoring are completed on all projects and reported on monthly

Risk mitigation activities and outcomes in 2014

- Multi-discipline project reviews conducted throughout the year including for activities in Kenya, Uganda, Mauritania, Namibia, Ghana, UK and Norway. Findings documented and reported to Executive; action plans implemented
- Major deepwater TEN Project over 50% complete and on track to deliver first oil in mid-2016
- Major Uganda front-end engineering work under way including major ESIA work. Target project sanction in late 2016
- Kenya early concept selection work under way including ESIA and water supply impact studies. Target project sanction in late 2016
- East Africa onshore pipeline front end engineering work under way including routing survey and ESIA activities
- Group-wide crisis management structure with regular drills
- Preventive maintenance programme; well and plant integrity monitoring; business continuity planning; and PDBI insurance programme

Supply chain failure

Strategic priority

Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.

Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.

Executive responsibility

Graham Martin

Executive Director & Company Secretary

Performance indicator

- Timeliness and completion of deliveries
- Contract management scorecard
- Local content expenditure

Impact

A delay in delivery of products or services results in value erosion and project delivery delays, causing significant financial penalties, increased costs and a loss of reputation with stakeholders.

Insufficient local content will jeopardise our licence to operate and breach legislation in some countries.

Policies and systems

- Group contracting and procurement procedures
- Market, contract and supplier due diligence
- Post-contract award procedures
- Logistics standard operating procedures
- Local content policy
- Transparent governance structure with a hierarchy of contract review boards from the Business Unit level to the Group
- Delegation of Authority

Mitigation process

- Risk assessment and full due diligence of all suppliers carried out prior to award of the contract

- Risk management embedded in the Group contracting and procurement procedures at all stages of the process
- Comprehensive supplier monitoring undertaken to ensure that any issues are identified promptly and rectified

Risk mitigation activities and outcomes in 2014

- Independent review of all suppliers; new contracting and procurement assurance model; new supplier management tool rolled out; ongoing programme to improve contract holder capability in supplier management
- Supplier risk assessment and due diligence revised and risk management now embedded for pre- and post-award activities
- Supply chain management scorecard rebalanced
- Local content reporting

Adverse environmental impact, safety or security incident

Strategic priority

Ensure safe and secure operations and minimise environmental impacts.

Executive responsibility

Paul McDade

Chief Operating Officer

Performance indicator

- Environmental, Health and Safety (EHS) elements of corporate scorecard, tied to executive remuneration, including LTIF and Spills/ million man hours quantitative targets and qualitative delivery targets such as delivery of Transport Safety Plans in each BU
- EHS KPIs in Business Unit scorecards

Impact

Major event from exploration, development or production operations may impact staff, contractors, communities or the environment, leading to increased costs, loss of reputation, revenue and/or shareholder value.

Policies and systems

- Board-level EHS Committee
- Group EHS Policy
- Group-wide EHS standards, as part of Tullow Integrated Management System (IMS)
- Adherence to the Voluntary Principles of Security and Human Rights (VPSHR) in operations
- Group and Business Unit level assurance processes

Mitigation process

- Board-level commitment and active oversight
- EHS standards set and monitored across the Group through Business Unit performance reporting and target setting
- Clear EHS standards and procedures supported by strong leadership accountability and commitment throughout the organisation
- EHS professionals embedded in the business to support delivery of safe and sustainable operations

Risk mitigation activities and outcomes in 2014

- EHS and External Affairs teams integrated in late 2013 to enhance non-technical risk management
- Improvements made to better reflect non-technical risks in the corporate scorecard
- EHS Standards implemented and conformance assured via independent Group audits
- Board EHS Committee made operational

Political risk

Strategic priority

Nurture long-term relationships with national and local governments and ensure compliance with applicable laws and regulations.

Executive responsibility

Paul McDade

Chief Operating Officer

Performance indicator

- Unscheduled non-production time due to work stoppage to our activities, disturbances or Force Majeure events
- Degree of conformance with internationally recognised conventions such as VPSHR

Impact

Political factors can lead to necessary re-negotiation of licence and agreement terms, delays in grants of licensees, or approval of agreements, and/or other state action.

Policies and systems

- Board level oversight of political risks
- Board level oversight of country-specific non-technical risk (NTR) strategies
- Portfolio risk management assessments, including active monitoring of political changes, risks and opportunities

Mitigation process

- Early identification and ongoing monitoring of political risks and opportunities
- Management plans addressing political impacts associated with existing or planned operations
- Appropriate levels of resourcing and competency to identify, analyse and advise on political risk management

Risk mitigation activities and outcomes in 2014

- Development of a forward looking quarterly Political Risk Report for Executive Committee (ExCom) and the Board
- Development of Board level country strategy papers

Social risk

Strategic priority

Nurture long-term relationships with communities, Non-Government Organisations (NGOs), Civil Society Organisations (CSOs), multilateral organisations, and other key stakeholders.

Executive responsibility

Paul McDade

Chief Operating Officer

Performance indicator

- Unscheduled non-production time due to work stoppage to our activities, disturbances or Force Majeure events
- Social performance elements of corporate scorecard, tied to executive remuneration
- Social performance KPIs in Business Unit Scorecards

Impact

Erosion of Tullow's social licence to operate leading to reduced value of projects, possible local disruptions, delays in project schedules and increased project costs. Impacts to our external stakeholders include effect on traditional livelihoods, local employment and business opportunities, and land acquisition and resettlement, among others.

Policies and systems

- Board level oversight of country-specific non technical risk (NTR) strategies
- Group Social Performance Standards and tools embedded in the IMS
- Group Local Content Guidelines to drive 'shared prosperity' and tools embedded in the IMS
- Group Social Investment Standard and tools embedded in the IMS

Mitigation process

- Social investment projects targeted at managing social risks and at delivering opportunities to maximise our business benefits
- A risk-based approach to operating in sensitive/protected areas coupled with a World Heritage 'no go' policy
- Proactive community engagement, supported by grievance management processes
- Proactive land acquisition and relocation procedures

Risk mitigation activities and outcomes in 2014

- Doubled discretionary investment in social projects in Kenya
- Strengthened focus on social performance in Group-wide Environmental Social Impact Assessments (ESIAs)
- Conducted a Human Rights Assessment in Kenya, to be used to inform Group-wide processes for future development and employment
- Recruited additional Community Liaison Officers in Kenya

Bribery and corruption

Strategic priority

Ensure adequate procedures to prevent bribery are in place, in line with the UK Ministry of Justice's Guidance, to minimise opportunities for bribery and corruption.

Executive responsibility

Graham Martin

Executive Director & Company Secretary

Performance indicator

- No active bribery cases and any known or suspected cases of passive bribery investigated and appropriate action taken

Impact

Corrupt actions or practices in the Group's activities leading to investigations or prosecution which would impact the Group's reputation and lead to loss of shareholder value.

Policies and systems

- Code of Business Conduct and related standards and procedures
- Safecall whistle blowing procedures

Mitigation process

- Consistent ethical standards established and applied through the Code of Business Conduct and associated standards and procedures
- Continual awareness programme delivered across the Company using a variety of media
- Regular monitoring of compliance across the business, both internal and external assessments of the adequacy of the anti-bribery and corruption programme
- Periodic reporting to the Compliance Committee and the main Board.
- Internal and external independent reporting mechanisms (Safecall) embedded and used across the business

Risk mitigation activities and outcomes in 2014

- Online Code of Conduct Certification process extended to all staff; enhancement of the awareness of mechanisms to report concerns
- Additional compliance team resources recruited
- Enhanced investigation resources and capability
- Bribery and corruption risk management process implemented
- Good Corporation compliance review recommendations implemented; further review carried out to assess Tullow as upper quartile
- An enhanced anti-corruption due diligence evaluation procedure developed and implemented

Information and cyber security

Strategic priority

Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.

Executive responsibility

Angus McCoss

Exploration Director

Performance indicator

Prevention of cyber attacks and information security breaches.

Impact

Loss of sensitive proprietary information, financial fraud, reduction or halt in production.

Policies and systems

Information security policy and standards.

Mitigation process

- The information security strategy integrates information, personnel and physical security, as it relates to the protection of information assets
- A collaborative cross-functional risk group provides governance and ensures technical and non-technical solutions are prioritised, effective and proportionate
- An intelligence-led Protect, Monitor, Analyse and Respond cyber methodology recognises the ever-changing threat landscape that drives investment in next generation technologies

Risk mitigation activities and outcomes in 2014

- Advanced 24/7 Security Operating Centre established
- Information security policy and standards framework updated with training ongoing
- Continued oversight by multi-functional Information Security Committee of delivery of the security programme
- Active member of Cyber Information Sharing Partnership (CISP) and Oil and Gas Information Security Forum
- Cyber Governance Health Check completed

Governance and legal risk

Strategic priority

Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.

Executive responsibility

Graham Martin

Executive Director & Company Secretary

Performance indicator

- No material issues or claims arising

Impact

Contractual or other liability claims cause unplanned financial, reputational or operational impact on business continuity, ultimately eroding shareholder value.

Policies and systems

Stakeholder engagement. Ensure timely identification, resourcing and management of potential legal liability claims.

Mitigation process

Experienced legal and commercial teams integrated with business decision making process; comprehensive knowledge of contractual and regulatory regimes.

Risk mitigation activities and outcomes in 2014

- Established relationships with experienced local and international external counsel

Loss of key staff & succession planning

Strategic priority

Build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair.

Executive responsibility

Graham Martin

Executive Director & Company Secretary

Performance indicator

- Staff turnover
- Recruitment for key roles
- Localisation

Impact

The loss of key staff and a lack of internal succession planning for key roles within the Group causes short and medium-term business disruption.

Inability to recruit for key roles hinders performance.

Policies and systems

- The Tullow Values
- HR strategy
- Localisation plans
- HR policies and standards
- Performance management
- Training and development

Mitigation process

Clearly defined people strategy based on culture and engagement, talent development and reward and recognition, together with the continuing success of the Group.

Risk mitigation activities and outcomes in 2014

- Succession planning completed for senior people in critical roles
- Training and development capability strengthened
- Staff survey carried out annually and scheduled earlier to accommodate following year business planning
- Reward policy changes

This Directors' Report and the information referred to herein have been approved by the Board and signed on its behalf by:



Graham Martin

Executive Director and Company Secretary

COMMITTED TO TRANSPARENCY & THE HIGHEST STANDARDS OF GOVERNANCE

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Tullow pro-actively engages with host communities to build respectful and mutually beneficial relationships.

JOHN EWOI
LAND ACCESS & RESETTLEMENT COORDINATOR, KENYA



APPLYING THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code

Tullow Oil plc is required, under the UK Listing Rules, to comply with the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council (the "FRC") in September 2012, for the year ended 31 December 2014. A copy of the Code is available at www.frc.org.uk.

This corporate governance report describes how the Company has applied the principles and standards set out in the Code during the year and sets out our activities relating to the main sections of the Code: Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders.

The Company is also required to disclose whether it has complied with the more detailed provisions of the Code during the year and, to the extent it has not done so, to explain any deviations from them. It is the Board's view that the Company has fully complied with all of the provisions of the Code during the year ended 31 December 2014.

In 2014, the FRC published a revised UK Corporate Governance Code (the "New Code") which applies to financial reporting periods commencing later than 1 October 2014. The New Code contains numerous new provisions, including: requiring companies to make greater disclosures of their strategic approach to risk and risk management; make a statement about the long-term viability and prospects of the company; ensure that remuneration policies are designed to deliver long-term benefits to the company and include measures for claw-back on variable pay; and, in cases where a significant proportion of shareholders oppose any particular measure, to explain the actions the company intends to take to understand the reasons for this opposition.

Tullow believes that its current policies and practices are already largely compliant with the provisions of the New Code. We expect to confirm compliance with the New Code in the next Annual Report.

Leadership

The long-term success of the Company is the collective responsibility of the Board.

The role of the Board

The Board is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. It meets these aims through setting the Group's strategy and ensuring that the necessary resources are available to achieve the agreed strategic goals. The Board also sets the Company's key policies and reviews management and financial performance. The Board operates within a framework of controls and these clear procedures, lines of responsibility and delegated authorities allow risk to be assessed and managed effectively. These are underpinned by the Board's work to set the Group's core values and standards of business conduct and ensure that these, together with the Group's obligations to its stakeholders, are widely understood across all its activities.

Board meetings and visits

The Board and its Committees deal with its core activities in planned meetings throughout the year. Matters which require decisions outside the scheduled meetings are dealt with through additional ad hoc meetings and conference calls. During 2014, the Board met eight times. A programme of strategy presentations covering a wide number of operational and other issues is made to the Board in June each year. During the year, each of the Regional Vice Presidents and other heads of functions presented a strategic overview of their respective area to the Board for endorsement. In particular, the Board reviewed and endorsed non-technical risk strategies for its major areas of operations.

The Board normally holds one Board meeting at a principal overseas office of the Group. These meetings ensure that the Board has a clear knowledge of the Company's overseas operations. During the trip, Senior Management from across the Group present to the Board and have an opportunity to meet its members informally. In addition, the Board meets a broad cross-section of staff, assesses Senior Managers and reviews in depth operational matters and, in particular, matters relating to non-technical risks. In March 2014, the Board travelled to Nairobi for a visit that was postponed from October 2013.

The Chairman and Chief Executive Officer maintain frequent contact with the other Directors in addition to the regular Board meetings. This ensures that all members of the Board have an opportunity to discuss any issues of concern and to be fully briefed on the Group's operations.

Matters reserved

The Board has a formal schedule of matters reserved that can only be decided by the Board. This schedule is reviewed by the Board each year. The key matters reserved are the consideration and approval of:

- The Group's overall strategy;
- Financial Statements and dividend policy;
- Borrowings and treasury policy;
- Material acquisitions and disposals, material contracts, major capital expenditure projects and budgets;
- Entry into new countries;
- Risk management and internal controls (supported by the Audit Committee);
- Succession planning and appointments (supported by the Nominations Committee);
- The Group's corporate governance and compliance arrangements; and
- Corporate policies.

Summary of the Board's work in the year

During 2014, the Board considered all relevant matters within its remit, with a particular focus on the following issues:

- Strategy and resource allocation;
- Non-technical risks in major areas of operation;
- Portfolio management;
- Finance and treasury;
- Governance and compliance;
- Assurance, risk and internal audit; and
- Organisational design, capacity and succession planning.

Attendance at meetings

The attendance of Directors at the eight scheduled meetings of the Board held during 2014 was as follows:

Director	No. of meetings attended (out of a total possible)
Tutu Agyare	8/8
David Bamford ¹	2/3
Mike Daly ²	5/5
Anne Drinkwater	8/8
Ann Grant	8/8
Aidan Heavey	8/8
Steve Lucas	8/8
Graham Martin	8/8
Angus McCoss	8/8
Paul McDade	8/8
Ian Springett	8/8
Simon Thompson	8/8
Jeremy Wilson	8/8

1. David Bamford resigned from the Board on 30 April 2014.

2. Mike Daly was appointed as a non-executive Director with effect from 1 June 2014.

Notes:

In addition to the Board members, a number of Senior Managers attend relevant sections of Board meetings by invitation.

Division of responsibilities

The Chairman, Simon Thompson, is primarily responsible for the effective working of the Board, whilst the Chief Executive Officer, Aidan Heavey, is responsible for the operational management of the business, for developing strategy in consultation with the Board and for implementation of the strategy. This separation of responsibilities is clearly defined and agreed by the Board.

The Chairman

The Chairman leads the Board, setting the agenda and ensuring that the meetings provide adequate time for discussion. From the time of his appointment as Chairman on 1 January 2012, Simon Thompson met the independence criteria set out in the Code and continues to do so.

Non-executive Directors

The non-executive Directors have a broad range of business and commercial experience. They provide independent and constructive challenge to the Executive Management and monitor the performance of the management team in delivering the agreed objectives and targets. At the end of every scheduled Board meeting, the Chairman holds a discussion with the non-executive Directors without the Executive Directors. These are supplemented by informal meetings between the Chairman and Chief Executive Officer and the non-executive Directors.

The non-executive Directors receive regular briefings on the more technical and operational aspects of the Group's activities. These include major offshore development projects (e.g. TEN) and our extensive exploration programme. Non-executive Directors with particular expertise in these areas also meet the Chief Operating Officer and the Exploration Director to discuss operations in more detail.

Non-executive Directors are initially appointed for a term of three years, which may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement.

Senior Independent Director

The Senior Independent Director, Ann Grant, is available to meet shareholders if they have concerns that cannot be resolved through discussion with the Chairman, Chief Executive Officer or Chief Financial Officer or for matters where such contact would be inappropriate. During the year, she met with the other non-executive Directors without the Chairman to discuss the Chairman's performance.

Delegated authorities

Board Committees

The Board has delegated matters to four Committees: Audit, Nominations, Remuneration and EHS and the Board is satisfied that the Committees have sufficient resources to carry out their duties effectively. Their terms of reference are reviewed and approved annually by the Board and the respective Committee chairmen report on their activities at the next Board meeting. Details of Committee membership, roles and work are set out later in this report: the Audit Committee on page 79, the Nominations Committee on page 84, the EHS Committee on page 86 and the Remuneration Committee on page 88.

Executive Directors and Executive Committee

In January 2014, a new Executive Committee was formed comprising the Executive Directors and 10 senior regional and corporate function leaders. It meets weekly and has been established to assist the Executive Directors in running the Group in various ways, including managing the delivery of the approved budget and business plan, ensuring effective integration and driving cost and organisational efficiency throughout the business.

Individual delegations

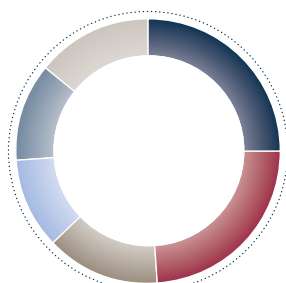
In addition to delegating certain matters to Board Committees, the Board has also delegated certain operational and management matters to the Executive Directors. In line with ICSA guidance, the Board approved formal terms of reference for the committee of Executive Directors in December 2014.

Effectiveness

Composition of the Board

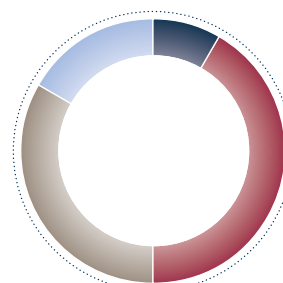
The Board currently comprises the Chairman, Chief Executive Officer, four other Executive Directors and six independent non-executive Directors. Their biographical details are set out on pages 44 and 45.

2014 BOARD TIME



● Strategy and stakeholder management	25.0%
● Financial management	24.0%
● Safety, sustainability and external affairs	14.0%
● Development and operations	11.0%
● Exploration and appraisal	12.0%
● Governance and risk management	14.0%

BOARD TENURE



● Less than 1 year	1
● 1 to 5 years	5
● 5 to 10 years	4
● Greater than 10 years	2

The Directors believe that the Board and its Committees consist of Directors with an appropriate balance of skills, experience, independence and diversity of background to enable them to discharge their duties and responsibilities effectively.

The composition of the Board did not change during the course of 2014 except for the resignation of David Bamford on 30 April 2014 and the appointment of Mike Daly as a non-executive Director with effect from 1 June 2014.

Independence

The Board considers each of the non-executive Directors to be independent in character and judgement. The Board is fully satisfied that Ann Grant demonstrates complete independence and robustness of character and judgement in her capacity as Senior Independent Director. The Board is of the view that no individual or group of individuals dominates decision making.

Appointments to the Board

The Nominations Committee reviews the structure, size and composition of the Board and makes recommendations to the Board about any changes required. As part of the appointments process, candidates disclose any other significant time commitments they may have and are required to inform the Board of any subsequent changes.

Commitment

All Directors have disclosed their other significant commitments and confirmed that they have sufficient time to discharge their duties effectively.

Training and development needs

Induction

All new Directors receive an induction programme when they join the Board. This reflects their background, experience and knowledge and their understanding of the upstream oil industry and Tullow in particular. The programme includes one-to-one meetings with Senior Management, functional and Business Unit heads and, where appropriate, visits to the Group's principal offices and operations. New Directors also receive an overview of their duties, corporate governance policies and Board processes.

Familiarisation and development

All members of the Board have access to appropriate professional development courses to support them in meeting their obligations and duties. During the year, Directors attended external seminars on relevant topics relating to the business. They also receive ongoing briefings on current developments, including updates on governance and regulatory issues.

Information and support

Independent advice

Directors have access to independent professional advice, at the Company's expense, on any matter relating to their responsibilities.

The Company Secretary

The Company Secretary is Graham Martin, who is also an Executive Director. He is responsible for ensuring compliance with all Board procedures and for providing advice to Directors when required. This combined role is regularly reviewed. The Company Secretary is supported by a Deputy Company Secretary who provides company secretarial services to the Board and the Group. The Deputy Company Secretary acts as secretary to the Audit, Nominations and Remuneration Committees and has direct access to the Chairs of these Committees.

Board evaluation

Following the independent and interview-driven Board evaluation conducted by Lintstock Ltd in 2013, in 2014 the Company undertook an internal evaluation of the performance of the Board, facilitated by Lintstock. The first stage of the review involved the Directors completing questionnaires which had been prepared by Lintstock with input from the Chairman and Company Secretary. The questionnaires were designed to the specific circumstances of the Company and, in particular, to pick up on themes identified in the 2013 exercise, including the annual planning cycle, the executive contribution to debates and the review of past decisions.

The results of the survey determined that the performance and composition of the Board and its Committees were good and found a high degree of alignment within the Board on the key strategic priorities in the year to come. The Board determined that its allocation of time and priorities was broadly appropriate and that the discussion at Board meetings displayed a good balance of support and challenge of management exercised by the non-executive Directors. The review noted an improvement in the timeliness of receiving background materials in advance of meetings. In addition, the review noted the particular focus of the Board on the areas of risk management, internal controls and safety, sustainability & external affairs (SSEA) matters. Finally, the review noted that the Board had reviewed and would continue to review diversity matters and succession planning for Executive Directors and Senior Management. The Board's focus on diversity matters in 2015 is explained further on page 85.

A significant majority of Board members felt that the Board's performance had improved since the last review. As a result of the exercise, amongst other things, the Board agreed to review the annual number of Board meetings, address the process around documentation provided to the Board and consider further mechanisms to increase the interaction between the Board and top management.

The Board objectives for 2015, set out to the right, reflect the action plan and priorities agreed by all the Directors as part of the 2014 Board evaluation.

It is envisaged that the Board will work with Lintstock in 2015 to conduct another internal review next year to follow up on the issues raised in this year's process. The review content for each subsequent evaluation is designed to build upon learning gained in the previous year. This ensures that the recommendations agreed in the review are implemented and that year-on-year progress is measured. Lintstock have no other connection to the Company.

Board objectives

We remain confident that the Board and the wider leadership team have the experience and track record to meet the Company's aims of delivering long-term growth and successfully manage the challenges of an expanding international company. The Board sets its specific future objectives at the end of each year and they reflect the particular focus of the Company in the year ahead. Progress against each objective is tracked by the Company Secretary and reviewed with the Chairman at the mid-year point.

The following table shows how the Board performed against the 2014 objectives and also details the priorities and rolling agenda items the Board will focus on in 2015.

Re-election

All Directors seek re-election every year and accordingly all Directors will stand for re-election in 2015 (with the exception of Mike Daly who is standing for election for the first time, since his appointment as a non-executive Director on 1 June 2014). The Board has set out in the Notice of Annual General Meeting its reasons for supporting the election and re-election as applicable of each of the Directors at the forthcoming AGM.

	2014 Board objectives
Strategy and execution	<p>Regularly review strategy in the light of social, economic and political developments. Ensure adequate time is allocated to monitoring:</p> <ul style="list-style-type: none"> • Execution of the strategy; • Effectiveness of resource allocation; to exploration and appraisal activities; • Portfolio management; and • Major capital projects.
Risk management	<p>Continue to ensure that appropriate systems and processes exist to identify, monitor and manage evolving risks, with a particular focus on:</p> <ul style="list-style-type: none"> • Political risk evaluation; • Community relations and social performance; • Security and human rights; and • EHS, particularly process safety.
Governance and values	<ul style="list-style-type: none"> • Maintain and enhance Tullow's culture and values • Reinforce compliance with Tullow's Code of Business Conduct • Continue to strengthen internal controls and enhance 'whistleblowing' facilities
Organisational capacity	<ul style="list-style-type: none"> • Continue to build organisational capacity without compromising Tullow's culture • Build awareness of non-technical risk management within line management and the technical functions • Further strengthen the Human Resources function • Strengthen the Sustainability and External Affairs function • Strengthen the Commercial function • Continue to monitor senior executive development to provide succession for all key functions • Increase the diversity of the management team
Stakeholder engagement	<ul style="list-style-type: none"> • Enhance Board-level engagement with shareholders, politicians, CSOs and other stakeholders • Arrange Board visit to Kenya

	2014 Performance	2015 Board objectives
	<ul style="list-style-type: none"> The strategy was articulated in various presentations of the 2013 full year results and the 2014 half year results to the market and shareholders and was debated and reaffirmed by the Board at a mid-year review. In response to the external environment, including the recent drop in oil prices, the Board revised the strategy, reducing exposure to high-risk exploration in the near-term and focusing the Company's resources on its production and development assets in West Africa and its major projects in East Africa. At each Board meeting, there have been regular standing items on the execution of the strategy, the effectiveness of resource allocation to exploration and appraisal activities, portfolio management and major capital projects. The Board reviewed its 12 month rolling agenda throughout the year to ensure that time was allocated appropriately. 	<ul style="list-style-type: none"> Regularly review strategy in light of market, political and socio-economic developments Deliver the TEN Project on time and on budget Progress development plans for Kenya/Uganda Reduce expenditure and ensure high-grading of exploration opportunities Reduce costs, maximise cash flow from operations and manage business within prudent funding constraints
	<ul style="list-style-type: none"> The organisational design of the merged EHS and External Affairs functions into the SSEA function, was refined throughout the year with significant capabilities added. During 2014, the Board also formalised the process for receiving periodic reports on political risks in the Company's areas of operation. The Board had numerous sessions on safety, security and human rights. The Board EHS Committee met regularly to monitor and improve process safety, incident management and the measurement of EHS performance. The Board regularly engaged with internal audit, the financial risk committee and others to assess and monitor the Company's approach to risks throughout its business. SAP was implemented throughout most of Tullow's Business Units, resulting in greater cost accountability and better traceability of payments and contract compliance and performance. 	<p>Continue to strengthen processes for identification, management and assurance of financial, technical and non-technical risks, with a particular focus on:</p> <ul style="list-style-type: none"> Safety, health and environment; Reserves and resources management; Capital project management; Community relations and social performance; Government relations; Liquidity management; and Improve Performance Management.
	<ul style="list-style-type: none"> The Compliance function continued work to improve compliance with Tullow's Code of Business Conduct, holding regular sessions with staff and contractors to highlight the importance of Tullow's culture and values. Provisions allowing for anonymous reporting of code violations, including "Safecall", were improved. 	<ul style="list-style-type: none"> Maintain and enhance Tullow's culture and values throughout the re-shaping of the business Update the Code of Business Conduct to reflect trends and best practices and reinforce compliance with it
	<ul style="list-style-type: none"> We continued to fill some key roles in 2014, attracting high-calibre candidates from other companies, demonstrating the appropriateness and flexibility of the reward packages we are able to offer. The SSEA function was restructured, adding significant capabilities to the team and improving integration on SSEA issues with the Business Units and technical functions. A new Head of Commercial joined Tullow and will be working with the Board and Senior Management to strengthen the Commercial function further in 2015. Senior Executive development and succession plans are regularly kept under review, particularly at times when vacancies arise in key roles. The leadership team of the Human Resources function was restructured with significant capabilities added. However, improvements to diversity figures in 2014 were not in line with expectations and the Board, on the recommendation of the Nominations Committee, will revisit the Diversity Policy in early 2015 with a view to mapping out diversity goals and a path to achieving them. 	<ul style="list-style-type: none"> Redesign, streamline and simplify organisational structure to deliver revised strategy Continue to strengthen Human Resource function Continue to strengthen Commercial function Progress senior executive development plans and strengthen succession planning for key positions Further increase diversity of talent pipeline
	<ul style="list-style-type: none"> Board level interaction with employees continued in 2014 at various functions. The Board visited Kenya in March during which they held numerous staff engagement events and participated in a field visit. The Chairman represented the Company at various events and Board members met with shareholders and shareholder bodies to continue to discuss Tullow's governance and remuneration policies. 	<ul style="list-style-type: none"> Ensure that shareholders, staff and other major stakeholders understand and are aligned with the revised strategy Further enhance engagement with governments and Civil Society Organisations in our principal countries of operation

RELATIONS WITH SHAREHOLDERS

Communication and dialogue

Exploration and production companies have faced another challenging year. Oil companies were affected by falling oil prices and the sector as a whole experienced some negative shareholder sentiment.

Tullow recognises that, in these demanding times, it is important to continue to maintain open and transparent communication with shareholders and potential investors. We do this through meetings, presentations, investor conferences and ad hoc events with institutional investors and sell-side analysts. Over the year, the Investor Relations team and Senior Management met some 300 institutions and the Group participated in 23 investor conferences and roadshows around the world. Executive Directors and Senior Management met institutional investors in the UK, Europe, Ghana, Asia Pacific, South Africa and North America.

Formal presentations and roadshows

Following the success of the inaugural Investor Relations roadshow in Asia Pacific in 2013, Tullow completed a second roadshow in October 2014. Meetings were held with institutional investors in Singapore, Hong Kong and Sydney and generated a high level of interest in all three cities.

Tullow's third Ghana Investor Forum took place in May 2014 in Accra. The event gave key institutional shareholders the chance to hear presentations and question the Executive and Senior Managers from the Ghana Business Unit. The Group recognises the importance of continued shareholder engagement with our 9,000 Ghanaian shareholders, and Tullow's Head of Media Relations also gave a "Facts Behind the Figures" presentation to investors and brokers at the Ghana Stock Exchange in October. Also, in keeping with past practices, a similar shareholder meeting was held in Dublin.

A number of other opportunities for investors to meet Senior Managers face-to-face were provided during the year. These included a successful Capital Markets Day (CMD) held in June 2014 in London. Over 100 sell-side and buy-side analysts and investors attended in person and the presentations were also covered in a live webcast which generated further interest. The presentations from a range of members of Tullow's senior management team demonstrated the depth of skills and leadership in the Group. They focused on articulating our strategy, our core West African business, future potential of East Africa and highlighted our strong funding position.

Tullow participated in a number of calls with socially responsible investors (SRI) in the fourth quarter of 2014. These meetings provided an opportunity to discuss topics including health and safety, the environment, corporate governance, bribery and corruption, country and political risk and other operational matters. The calls were hosted by our new Vice President of SSEA. Tullow plans to complete a European SRI roadshow in April 2015.

Meetings with Board members

Outside these formal events, institutional shareholders can meet the Chairman to discuss any issues and concerns in relation to the Group's governance and strategy. During the year, the Chairman held a number of such meetings. Non-executive Directors are also available to attend meetings with major shareholders if requested to do so.

The Board is kept in touch with market developments following major operational announcements through regular summaries from the Investor Relations team. They also provide a monthly Board Report which includes shareholder analysis, shareholder feedback and Tullow's performance against our peers.

Keeping shareholders informed

We ensure shareholders can access details of the Group's results and other news releases through the London Stock Exchange's Regulatory News Service. In addition, these news releases are published on the Media and Investor Relations sections of the Group's website: www.tulloil.com. Updates and details of the status of exploration and development programmes are also available on the website and via the social media service Twitter: www.twitter.com/TullowOilplc. Shareholders and other interested parties can subscribe to email news updates by registering online on the website.

2015 KEY SHAREHOLDER ENGAGEMENTS

January

Trading statement and operational Update

February

Full Year Results

March

Full Year Results roadshows commence

April

SRI roadshow
Interim Management Statement
Annual General Meeting

July

Trading statement and operational Update
Half Year Results

September

Half Year Results roadshows commence
Asia-Pacific roadshow

November

Interim Management Statement

The number of visitors to the corporate website increased in 2014, with 437,000 unique visitors and over 2.3 million page views. The Group continually looks for ways to improve how we use online channels to communicate with our stakeholders. As part of this work, during 2014, a new website has been developed and is planned to launch in the first half of 2015. Among the improvements, the new site will provide a consistent experience for all desktop, tablet and mobile devices.

We are also responding to the growing use of social media by shareholders. The Group has circa 14,000 followers on its corporate Twitter account, circa 10,400 on Facebook, circa 51,900 LinkedIn accounts and the films provided on YouTube have received circa 79,100 views. We continue to operate our Investor Relations and Media App that can be downloaded to tablet and smartphone devices. This enables a wider audience to view results announcements, presentations, videos, webcasts and images while on the move.

Another important way we keep shareholders informed is through regular formal reporting. Tullow's 2013 Corporate Responsibility (CR) Report was issued in May 2014 and is available on the corporate website. In a further demonstration of our commitment to transparency, we provide details in the CR report of our payments to governments. Tullow also published additional country reports for Kenya and Ghana in 2014, as well as a dedicated transparency report.

Increasing communication with bond holders

In April 2014, Tullow issued its second Corporate Bond. Following a roadshow in the UK and the US, the Group priced its offering of \$650 million of 6.25% Senior Notes due in 2022. Since the issue of the corporate bonds, the IR and Group Finance teams have increased their engagement with our bond investors through a number of High Yield conferences and one-on-one meetings throughout the year.

437,000 UNIQUE VISITS IN 2014

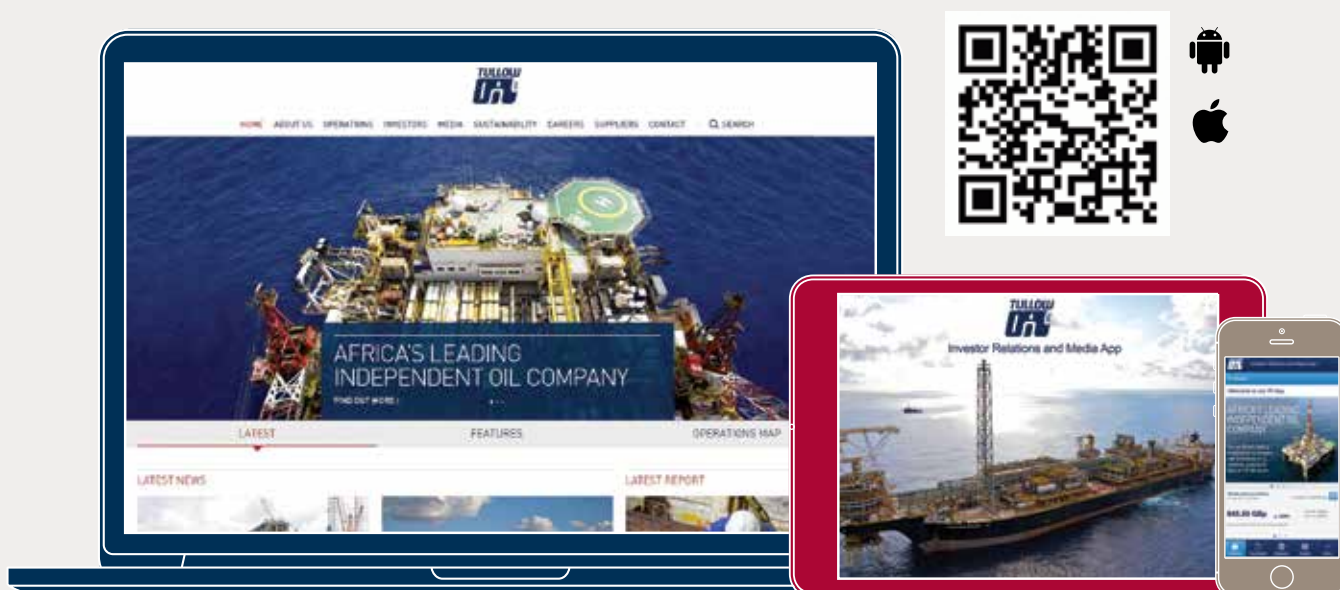
Financial results, events, corporate reports, webcasts and fact books are all stored in the Investor Relations section of our website www.tulloil.com/investors.

2014 Annual Report and Accounts
www.tulloil.com/reports

IR APP

Tullow's Investor Relations and Media app for tablets and smartphones enables easy access to a suite of investor materials.

Scan the QR code below to find out more and download the app.



Accountability

This report provides shareholders with a clear assessment of the Group's position and prospects supplemented, as required, by other periodic financial and trading statements.

The Board's arrangements for the application of risk management and internal control principles are detailed below. The Board has delegated oversight of the relationship with the Group's external auditors to the Audit Committee. Their work is outlined in the Audit Committee report on page 79.

Going concern

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. In the currently low commodity price environment, the Group has taken appropriate action to reduce its cost base and had \$2.4 billion of debt liquidity headroom at the end of 2014. The Group's forecast, taking into account reasonably possible changes and risks as described above, show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2014 Annual Report and Accounts. Notwithstanding our forecasts of sufficient liquidity headroom through to mid-2016 when first oil from TEN is expected, there remains a risk, given the volatility of the oil price environment, that the Group could become technically non-compliant with one of its financial covenant ratios in the first half of 2016. To mitigate this risk, we will continue to monitor our cash flow projections and, if necessary, take appropriate action with the support of our long-term banking relationships well in advance of this time.

Internal controls

The Directors acknowledge their responsibility for the Group's systems of internal control, which are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication and to comply with the Turnbull Committee guidance. The Group's internal control procedures require technical, financial and Board approval for all projects. All major expenditures require Senior Management approval at the appropriate stages of each transaction. Overall control is ensured by a regular detailed reporting system covering both technical progress of projects and the state of the Group's financial affairs. The Board has put in place procedures for identifying, evaluating and managing any significant risks that face the Group. Risk assessment and evaluation is an integral part of the annual planning cycle. Each Business Unit documents its strategic objectives and the significant risks in achieving them and regularly reports on progress against these objectives. Key risks are also reported monthly to the Board. There is a comprehensive budgeting and planning system for all items

of expenditure with an annual budget approved by the Board. Actual results are reported against budget on a monthly basis. Revised financial forecasts for the year and financial projections for future years are regularly prepared.

The Board has ultimate responsibility for the effectiveness of the Group's risk management activities and internal control processes. It recognises that any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. However, the Board's objective is to ensure that Tullow has appropriate systems in place for the identification and management of risks.

The Board receives reports from Business Unit and corporate teams throughout the year to enable it to assess, on an ongoing basis, the effectiveness of the system of internal controls and risk management.

During the year, the Group Internal Audit Manager reviewed a number of areas of risk and his findings were reported to the Audit Committee. No significant weaknesses were identified. The Board has confirmed that, through its Audit Committee, it has reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, and considers that the system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

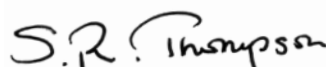
Remuneration

The Board has delegated responsibility for agreeing the remuneration policy for the Chairman, Chief Executive Officer, Executive Directors and senior executives to the Remuneration Committee. Its role and activities are set out in the Directors' Remuneration Report on page 88.

Constructive use of the AGM

At the AGM held on 30 April 2014, shareholders received presentations setting out the key developments in the business and put questions to the Chairman, the Chairmen of the Audit, Nominations and Remuneration Committees and other members of the Board. In recognition of the fact that Tullow continues to have a significant shareholder base in Ireland, a business presentation was held in Dublin on 1 May 2014 following the AGM.

A poll was used to vote for all resolutions at the 2014 AGM, and the final results (which included all votes cast for, against and those withheld) were announced via the London Stock Exchange and on the Company's corporate website. Notice of the AGM is sent to shareholders at least 20 working days before the meeting.



Simon R Thompson
Chairman

10 February 2015



DEAR SHAREHOLDER

Strong corporate governance and risk management are a key part of Tullow's business model and the Board and Audit Committee continue to be focused on maintaining high standards of governance and risk management across the Group. The Audit Committee continued to oversee the financial reporting process in order to make sure that the information provided to shareholders is fair, balanced and understandable and allows assessment of the Company's performance, business model and strategy. The Audit Committee also oversaw the internal control environment and we were pleased that throughout 2014 the internal controls have been considerably improved following the implementation of SAP for Tullow's requisition to pay process, which will also bring continuous improvement and efficiencies to our accounting and reporting practices.

A key agenda item for the Audit Committee in 2015 will be the implementation of the changes to the UK Corporate Governance Code and the revised Financial Reporting Council (FRC) guidelines, which were published in the second half of 2014. Following an initial review, Tullow believes it is largely compliant but further assessment and actions will take place in 2015, particularly in regard to risk management, internal controls and long-term viability. The Board has already initiated a review of our risk management processes across the Group, with an aim to develop a consistent enterprise-wide process over the coming year and the Audit Committee will play an active role in making sure the objectives of this initiative are met.

Steve Lucas
Chairman of the Audit Committee

10 February 2015

Governance

Steve Lucas has been Audit Committee Chairman since May 2012. Steve, who is a Chartered Accountant, was finance director at National Grid plc from 2002 to 2010. It is a requirement of the UK Corporate Governance Code that at least one Committee member has recent and relevant financial experience; Steve Lucas therefore meets this requirement. The other members of the Audit Committee are Ann Grant, Tutu Agyare, Anne Drinkwater, Jeremy Wilson and Mike Daly, who joined the Committee in 2014, and brings extensive oil and gas experience. Biographies of the Committee members are given on pages 44 and 45. Together, the members of the Committee bring a broad range of industry, commercial and financial experience which is vital in supporting effective governance.

The Chief Financial Officer, the Group Internal Audit Manager, the General Manager Finance, the Deputy Company Secretary and representatives of the external auditors are invited to attend each meeting of the Committee and participated in all of the meetings during 2014. The Chairman of the Board also attends meetings of the Committee by invitation and was present at all of the meetings in 2014. The external auditors, Deputy Company Secretary and the Group Internal Audit Manager have unrestricted access to the Committee Chairman.

In 2014, the Audit Committee met on six occasions. Meetings are scheduled to allow sufficient time for full discussion of key topics and to enable early identification and resolution of risks and issues. Meetings are aligned with the Group's financial reporting calendar.

The Committee reviewed and updated its terms of reference during the year. These are in line with best practice and reflect the requirements of the UK Governance Code and the FRC's 2012 Guidance on Audit Committees. The Audit Committee's terms of reference can be accessed via the corporate website. The Board approved the terms of reference on 9 December 2014.

Tullow notes the new UK Corporate Governance Code and the new Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in September 2014 by the FRC. As the New Code applies to accounting periods beginning on or after 1 October 2014, the Audit Committee will assess its implications for the Annual Report and Accounts in 2015 with a view to fully comply with the new disclosure requirements at year end 2015.

Summary of the Committee's responsibilities

The Committee's detailed responsibilities are described in its Terms of Reference and include:

- Monitoring the integrity of the Financial Statements of the Group, reviewing and reporting to the Board on significant financial reporting issues and judgements;
- Reviewing and challenging, where necessary, the consistency of significant accounting policies, and whether appropriate accounting standards have been used;

2014 AUDIT COMMITTEE HIGHLIGHTS

- Approval of half year and full year Financial Statements
- Review of the effectiveness of the external audit process
- Review of the work of the independent reserves auditor
- Assessment of the remit and results of internal audit
- Oversight of key risks associated with a major IT system project

Audit Committee membership

Committee member	Meetings attended (out of a total possible)
Steve Lucas	6/6
Tutu Agyare	6/6
Anne Drinkwater	6/6
Ann Grant	6/6
Jeremy Wilson	6/6
Mike Daly*	4/4

* Appointed to the Committee on joining the Board on 1 June 2014

- Reviewing the content of the Annual Report and Accounts and advising the Board on whether it is fair, balanced and understandable and provides the information necessary for shareholders to assess Tullow's performance, business model and strategy;
- Reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- Reviewing the adequacy of the whistle-blowing system, the Company's procedures for detecting fraud and the systems and controls for the prevention of bribery, and receive reports on non-compliance;
- Reviewing and assessing the annual internal audit plan and receiving a report on the results of the internal audit function's work on a periodic basis;
- Overseeing the relationship with the external auditors including assessing their independence and objectivity and reviewing the annual audit plan to ensure it is consistent with the scope of the audit engagement, and reviewing the findings of the audit;
- Assessing the qualifications, expertise and resources of the external auditors and the effectiveness of the audit process; and
- Ensuring that the audit services contract is put out to tender in line with the order by the Competition and Market Authority.

Key areas reviewed in 2014

The Committee fully discharged its responsibilities during the year.

A key element of the governance requirements regarding the Group's Financial Statements is for the Annual Report and Accounts to be fair, balanced and understandable. To ensure this requirement is met by Tullow, the Group takes a collaborative approach to creating its Annual Report and Accounts, with direct input from the Board throughout the process. The process of planning, writing and reviewing the report is run by a central project team, alongside a formal audit process undertaken by our external auditors.

In order for the Audit Committee and the Board to be satisfied with the overall fairness, balance and clarity of the final report, the following steps are taken:

- Early planning, taking into consideration regulatory changes and best practice;
- Comprehensive guidance issued to key report contributors across the Group;
- Validation of data and information included in the report both internally and by external auditors;
- A series of key proof dates for comprehensive review across different levels in the Group that aim to ensure consistency and overall balance; and
- Senior management and Board sign-off.

The following describes the work completed to discharge the Audit Committee's main responsibilities:

Financial reporting

The Committee monitors the integrity of the Financial Statements and formal announcements relating to the Group's financial performance and reviews the significant financial reporting issues and accounting policies and disclosures in the financial reports.

The Committee met with the external auditors as part of the full year and half year accounts approval process. During this exercise the Committee considered the key audit risks identified as being significant to the 2014 accounts and the most appropriate treatment and disclosure of any new or judgemental matters identified during the audit and half-yearly review as well as any recommendations or observations made by the external auditors. The primary areas of judgement considered by the Committee in relation to the 2014 accounts and how these were addressed are detailed overleaf.

Significant financial judgements for 2014

Intangible assets

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts are written-off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed. The key areas in which management has applied judgement are as follows: the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal or extension and the success of a well result or geological or geophysical survey.

Taxation

The Group is subject to various claims which arise in the ordinary course of its business, including tax claims from tax authorities in a number of the jurisdictions in which the Group operates. The Group assesses all such claims in the context of the tax laws of the countries in which it operates and, where applicable, makes provision for any settlements which it considers are probable.

Recoverability of contingent consideration

The Group had recognised a current receivable of \$358 million at 31 December 2013 in respect of contingent consideration receivable from the Uganda farm-down. Recoverability of this receivable is dependent on a number of judgements in respect of the timing of the receipt of certain project approvals.

Decommissioning

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning.

Value in use of property, plant and equipment (PPE)

Management performs impairment tests on the Group's PPE assets when there are indicators of impairments. The calculation of the recoverable amount requires estimation of future cash flows within complex impairment models. Key assumptions and estimates relate to commodity prices based on forward curves for two years and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, commercial reserves and the related cost profiles.

Carrying value of goodwill

Following the acquisition of Spring Energy in 2013, Tullow recognised goodwill in line with the requirements of IFRS 3-Business Combinations. Management performs impairment tests on the carrying value of goodwill semi-annually. The calculation of the recoverable amount is based on the likely future economic benefits of the exploration assets in the portfolio and is based on chance of exploration success and estimated value of the potential discoveries.

How the Committee addressed these judgements

The Group has a very active exploration and appraisal work programme and the Committee reviews and challenges management assumptions and judgements underlying the calculation of intangible assets for each well at each balance sheet date. In addition, Deloitte LLP have identified this as a significant area of focus for their audit and undertake discussions with operational and finance staff to challenge evidence provided by management to support the value of intangible assets and provide detailed reporting to the Committee on the results of their work. This is a recurring area of judgement.

Following the farm-down of Ugandan assets in 2012 the Uganda Revenue Authority assessed Capital Gains Tax on the transaction. The Committee was satisfied with the treatment of these issues and judgements applied through reporting from senior management, supported by advice from external professional advisers and independent legal counsel. This is also an area of higher risk and as a result the Committee receives in-depth written and oral reporting from Deloitte LLP on their conclusions from the audit of these matters. This is a recurring area of judgement.

The farm-down of Ugandan assets to Total and CNOOC in 2012 allowed for a working capital adjustment to be paid to Tullow on receipt of certain project approvals. The working capital would be received in full if FID was granted by June 2014 and would be reduced to nil on a sliding scale at the end of December 2016. Management now believes that FID is unlikely to be received until December 2016 and has therefore written-off the entire contingent consideration. Deloitte LLP have provided written and oral reporting to the Audit Committee in their findings and conclusions on this matter. This judgement is specific to 2014.

A review of all decommissioning cost estimates is undertaken annually by an independent specialist. The results are then used for the purposes of the annual financial statements. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels. The impact on decommissioning estimates was reviewed and challenged by the Committee. Deloitte LLP also reviewed the results as part of their audit. This is a recurring area of judgement.

Results of the impairment tests were discussed and challenged by the Committee and Deloitte LLP review these calculations and audit the underlying economic models to satisfy themselves of the integrity of the process. This is a recurring area of judgement.

Results of the impairment tests were discussed and challenged by the Committee and Deloitte LLP review these calculations and audit the underlying economic models to satisfy themselves of the integrity of the process.

External auditor

The Audit Committee's responsibilities include making recommendations to the Board on the appointment of external auditors and overseeing the Board's relationship with the external auditors. Also, where appropriate, reviewing the selection of new external auditors and assessing the effectiveness of the external audit process.

- The UK Corporate Governance Code states that the Audit Committee should have primary responsibility for making a recommendation on the appointment, re-appointment or removal of the external auditors. On the basis of the review of external audit effectiveness described below, the Committee recommended to the Board that it recommends to shareholders the re-appointment of the external auditors at the 2015 AGM;
- The external auditors are required to rotate the audit partner responsible for the Group audit every five years. 2014 was the final year of the current lead audit partner's tenure and in 2015, Tullow will go through a rotation of the Deloitte audit engagement partner;
- The audit contract was last tendered in 2004 and no contractual obligations existed that acted to restrict the Audit Committee's choice of external auditors. Tullow notes the Order by the Competition and Markets Authority, "The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities)". The Audit Committee has assessed the implications of the new regulation and the transitional rules set out in Article 6 of the Order. According to those rules, the Company is required, at the latest, to run a competitive tender process in respect of the appointment of an external auditor for the financial year ending 31 December 2024. The Audit Committee has agreed to recommend to the Board that we follow the transitional rules with an annual review of this approach;
- The Group's external auditors are Deloitte LLP and the Audit Committee assessed the qualification, expertise and resources, and independence of the external auditors as well as the effectiveness of the audit process. This review covered all aspects of the audit service provided by Deloitte LLP, including obtaining a report on the audit firm's own internal quality control procedures and consideration of the audit firm's annual transparency reports in line with the UK Corporate Governance Code. The Audit Committee also approved the external audit terms of engagement and remuneration. During 2014 the Committee held a private meeting with the external auditors and the Audit Committee Chairman also maintained regular contact with the lead audit partner throughout the year. These meetings provide an opportunity for open dialogue with the external auditors without management being present. Matters discussed included the auditor's assessment of significant financial risks and the performance of management in addressing these risks, the auditor's opinion of management's role in fulfilling obligations for the maintenance of internal controls, the transparency and responsiveness of interactions with management, confirmation that no restrictions had been placed on them by management, maintaining the independence of the audit and how they have exercised professional challenge;
- In order to ensure the effectiveness of the external audit process, Deloitte LLP conduct an appropriate audit risk identification process at the start of the audit cycle. This plan is presented to the Audit Committee for their review and approval and for the 2014 audit the key audit risks identified included carrying value of exploration and evaluation assets, impairment of producing assets, recoverability of Uganda contingent consideration, carrying value of Tulipe assets in Gabon, tax judgements, oil and gas reserves, decommissioning and DD&A estimates, revenue recognition, liquidity risk and going concern as well as risk of management override of controls. These and other identified risks are reviewed through the year and reported at Audit Committee meetings where the Committee challenges the work completed by the auditor and tests management's assumptions and estimates in relation to these risks;
- The Committee also seeks from management an assessment of the effectiveness of the audit process. In addition, a separate questionnaire addressed to all attendees of the Audit Committee and senior finance managers is used to assess external audit effectiveness. As a result of these reviews, the Audit Committee considered the external audit process to be operating effectively;
- The Committee closely monitors the level of audit and non-audit services provided by the external auditors to the Group. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary. A policy for the engagement of the external auditors to supply non-audit services is in place to formalise these arrangements, which requires Audit Committee approval for certain categories of work. This policy will be revised in 2015 to reflect changes in the regulatory environment. The policy is designed to ensure that the external auditors' independence is maintained; and
- An analysis of the fees paid to the external auditors in respect of audit and non-audit work is included in note 4 to the financial statements. In addition to processes put in place to ensure segregation of audit and non-audit roles, Deloitte LLP are required, as part of the assurance process in relation to the audit, to confirm to the Committee that they have both the appropriate independence and the objectivity to allow them to continue to serve the members of the Company. This confirmation was received and no matters of concern were identified by the Committee.

Internal controls and risk management

The Committee reviews the adequacy and effectiveness of the Group's internal control procedures and risk management systems.

- The Audit Committee reviewed the effectiveness of the Group's internal control procedures and risk management systems through the work of the internal audit team, the external auditors' observations on internal financial controls identified as part of their audit, and through regular reporting by the Business Unit and corporate teams to the Board;
- In addition, the Committee received reports from the independent reserves auditor ERCE and reviewed the arrangements in place for managing Information Technology risk relating to the Group's critical information systems;
- The Committee also reviewed:
 - Arrangements for Company employees and contractors to raise concerns, "Speaking-Up in Confidence";
 - Company's procedures to detect fraud; and
 - Company's systems and controls for the prevention of bribery; and
- The Committee also received reports from the Financial Risk Committee providing an update on the effectiveness of financial risk management and an external review report on the Company's fraud risk management system.

Internal audit requirements

The Committee considers how the Group's internal audit requirements shall be satisfied and making recommendations to the Board.

- The Group Internal Audit Manager has direct access and responsibility to the Audit Committee Chairman and Committee. His main responsibilities include evaluating the development of the Group's overall control environment as well as the effectiveness of risk identification and management at operating, regional and corporate levels. During 2014, the Group Internal Audit Manager met with the Audit Committee Chairman and with the Audit Committee without the presence of management to assess management's responsiveness to Internal Audit recommendations made during the year and to assess the effectiveness of Internal Audit;
- The Committee reviewed and challenged the programme of 2014 internal audit work developed to address both financial and overall risk management objectives identified within the Group. The plan was subsequently adopted with progress reported at each of the Audit Committee meetings. 33 internal audit reviews were undertaken during the year, covering a range of financial and business processes in the Group's London office and the main operational locations in Ghana, Uganda, Kenya, Ethiopia, Gabon and Norway. Detailed results from these reviews were reported to management and in summary to the Audit Committee during the year. The Audit

Committee receives regular reports on the status of the implementation of internal audit recommendations. No significant weaknesses were identified as a result of risk management and internal control reviews undertaken by Internal Audit during 2014. The Group also undertook regular audits of non-operated joint ventures under the supervision of business unit management and the Group Internal Audit Manager;

- The Committee receives summaries of investigations of known or suspected fraudulent activity by third parties and employees including ongoing monitoring and following-up of fraud investigations; and
- The Audit Committee assessed the effectiveness of Internal Audit through its review of progress against plan, the results of audits reported at each of the meetings, and through the thorough effectiveness review report provided by the new Group Internal Audit Manager. Results of the review were discussed at the Committee and actions to further improve internal audit effectiveness are being implemented.

Whistle-blowing procedure

Finally the Audit Committee ensures that an effective whistle-blowing procedure is in place.

- In line with best practice and to ensure that Tullow works to the highest ethical standards, the Group's independent whistle-blowing procedure continued to operate throughout 2014 to allow staff confidentially to raise any concerns about business practices. This procedure complements the established internal reporting process. The whistle-blowing policy is included in the Code of Business Conduct which is available on the corporate website. The Committee considers the whistle-blowing procedures to be appropriate for the size and scale of the Group.

Review of effectiveness of the Audit Committee

During the year, the Audit Committee completed a review of the effectiveness of external audit and of the Audit Committee itself through a series of questionnaires. The in-depth review of the Audit Committee's effectiveness was commissioned from an external advisory firm. On top of the questionnaire the review comprised interviews with Audit Committee members and those regularly attending the Audit Committee meetings, and review of Audit Committee documentation. The Committee was considered to be operating effectively and in accordance with the UK Corporate Governance Code.



DEAR SHAREHOLDER

There are five Executive and seven non-executive Directors on the Tullow Board. They come from varied professional backgrounds and provide the Board with a diverse range of experience, knowledge and approach. Their biographies are on pages 44 and 45 of this report.

The main task of the Nominations Committee is to ensure that the Board has the necessary skills and expertise to support the Company's current and future activities. In addition, we work to ensure that we recruit and develop a diverse group of senior managers who will be able to take on the most senior positions in the Company in the future.

A handwritten signature in black ink that reads "S.R. Thompson".

Simon Thompson

Chairman of the Nominations Committee

10 February 2015

Committee's role

The Committee reviews the composition and balance of the Board and Senior Executive team on a regular basis. The Board reviews this analysis in order to inform future changes in Board membership. When recruiting a new Executive or a non-executive Director the Committee appoints external search consultants to provide a list of possible candidates, from which a shortlist is produced. The Committee's terms of reference are reviewed annually and are set out on the corporate website.

Committee's main responsibilities

The Committee's main duties are:

- Reviewing the structure, size and composition of the Board (including the skills, knowledge, experience and diversity of its members) and making recommendations to the Board with regard to any changes required;
- Identifying and nominating, for Board approval, candidates to fill Board vacancies as and when they arise;
- Succession planning for Directors and other Senior Executives;
- Reviewing annually the time commitment required of non-executive Directors; and
- Making recommendations to the Board regarding membership of the Audit, Remuneration and EHS Committees in consultation with the Chair of each Committee.

Committee membership and meetings

The Committee currently comprises four non-executive Directors. Simon Thompson was Chairman of the Committee throughout the year. The membership and attendance of members at Committee meetings held in 2014 are shown in the table on the next page.

In addition to the formal meetings, the Committee remit allowed for informal discussions, interviews, telephone conversations and a number of informal meetings during the year.

Committee activities

The principal activities of the Committee during 2014 and subsequent to the year-end were:

- Board membership changes, as announced earlier this year, included David Bamford retiring from the Board at the conclusion of the AGM on 30 April 2014, having served on the Board for nine years. The Committee recommended that Ann Grant assume the role of Senior Independent Director which was previously held by David Bamford. It was further announced that, with effect from 1 June 2014, Mike Daly would join the Tullow Board as a non-executive Director. He shortly thereafter also joined the Audit and EHS Committees;

- **Board diversity** – The Board currently consists of five Executive Directors and seven non-executive Directors. Two of the seven non-executive Directors are women, but all of the Executive Directors are male, reflecting the relatively low level of gender diversity amongst the Senior Management of the Group, but in line with the oil and gas industry generally. In order to meet the aspiration set out in the 2011 Davies Report 'Women on Boards' that women should make up 25% of board positions by 2015, we would have to restrict future Board appointments to women only or significantly restructure the size and composition of the Board. We do not regard either of these actions as being in the best interests of the Company. Accordingly, we continue to seek to address the problem of lack of diversity in senior management positions, as described in the Organisation and Culture section on page 46, but recognise that we are unlikely to achieve our aspiration of 25% female representation by 2015. Currently, 8% of our Senior Management team are women. The Committee held a meeting in December specifically to look at the issue of diversity, having noted that Tullow had not made the improvements against its diversity aspirations that it had hoped to make in 2014. The Committee acknowledged that a more comprehensive strategy on diversity, that includes plans to develop internal sources of diverse leadership candidates, would be necessary and agreed to work towards such a strategy in 2015. The Committee also stipulated that during the current re-organisation, designed to align the business with current market conditions, maintaining or enhancing diversity should be one of the criteria taken into consideration;
- **Senior Management succession planning** – The Committee and the Board have worked closely with Executive Directors in reviewing the Senior Management talent pool within Tullow. We work to ensure that all candidates have personal development plans that will provide them with the knowledge and skills required to progress within the Group. Within this work, there is a particular focus on those who would increase the diversity of those holding Senior Management roles;
- **Membership of Board Committees** – The Nominations Committee is responsible for nominating appropriate individuals for membership of Board Committees to ensure that they have individuals with the necessary skills, knowledge and experience. During the year, on the Committee's recommendation, the Board approved the appointment of Mike Daly as a member of the Audit and EHS Committees respectively on his appointment to the Board and also the appointment of Steve Lucas to the Nominations Committee; and
- **Committee evaluation** – The performances of the Board and its Committees were considered as part of the Board review process; however, as noted in the Corporate Governance section of this report on page 73 the performance of the Nominations Committee was not addressed directly in the Board review because, at the time of review, the Committee had only met once for the purpose of discharging routine business only.

2014 NOMINATIONS COMMITTEE HIGHLIGHTS

- The Board was refreshed in 2014 following the retirement of David Bamford as of 30 April 2014 and the appointment of Mike Daly as a non-executive Director with effect from 1 June 2014.
- Succession planning continued well throughout 2014, and the development and retention of key skills and talents remains a high priority, particularly in the current uncertain market conditions.

Nominations Committee membership

Committee member	Meetings (out of a total possible)
Simon Thompson (Chair)	2/2
Tutu Agyare	2/2
Ann Grant	2/2
David Bamford	1/1



DEAR SHAREHOLDER

The Environment, Health and Safety (EHS) Committee, now in its second year, continued to monitor the performance and key risks the Company faced in relation to its people and process safety, security, health and environmental management during 2014.

Following the establishment of the Safety, Sustainability and External Affairs (SSEA) function at the end of 2013, the Committee has been particularly focused on integrating the management of EHS risk within an overall management system.

An area of focus for the Committee is ensuring that Tullow is a learning organisation and this activity continued in 2014 with the full Board attending process safety training. The Committee was also engaged in reviewing how actions from incident investigations are followed up, in respect of both the incident and operations in general. Several improvements were noted including appointing a senior Tullow person to be accountable for EHS across sites that encompass multiple operations, improved contractor induction and a greater focus on planning and control of work.

A handwritten signature in black ink that reads "Anne Drinkwater".

Anne Drinkwater
Chair of the EHS Committee

10 February 2015

Committee's role

The Committee has an objective of enhancing the Board's engagement with EHS by provoking appropriate in-depth reviews of strategically important EHS issues for the Group. The Committee should be forward looking to enable it to provide appropriate advice in anticipation of the new risks the business might face in its operating environments. The Committee reviews a wide range of EHS indicators to gain insight into how EHS policies and practices are being realised in the field, e.g. high-potential incidents, especially where a high frequency is in one area, audit outcomes and investigation outcomes.

Committee's main responsibilities

The Committee's responsibilities are:

- Advising on Company EHS policies;
- Monitoring performance on implementation of its environmental, health, security and safety policies, including process safety management;
- Providing feedback on reports relating to material environmental, health and safety risks; and
- Assessing material regulatory and technical developments in the field of EHS management.

The Committee's terms of reference are reviewed annually and can be accessed on the corporate website.

The Committee currently comprises three non-executive Directors and one Executive Director – Paul McDade, who has executive responsibility for EHS across the Group. Anne Drinkwater is Chair of the Committee and chaired all meetings throughout the year. Collectively, the Committee members have considerable operational EHS experience from diverse operating environments across the oil and gas and extractive industries.

In addition to the core Committee members, functional heads and Senior Managers from across the Group were invited to meetings to provide additional details and insights on specific agenda items, provide guidance on EHS issues or discuss how EHS can be embedded across their parts of the business. Visiting attendees in 2014 included management team members from the SSEA function and representatives of our Executive Committee.

Committee activities during 2014

- The Committee revisited the 2014 EHS Functional Plan following the formation of the SSEA function in 2013, which more closely aligned EHS, social performance and government and public affairs. The plan was revised to:
 - Integrate EHS requirements into an overall management system;
 - Clarify requirements of the business;
 - Separate organisational delivery from assurance; and
 - Develop a broader and more robust set of metrics.

- The Committee noted that the implementation of the revised EHS Functional Plan has positively impacted the business by:
 - Deploying functional expertise closer to our operations; and
 - Integrating Environmental and Social Impact Assessments (ESIA) and Environmental and Social Management Plans (ESMP) actions to better prepare the Company's operational readiness.
- The Committee tracked performance against EHS KPIs, with actions assigned to ensure continual progress;
- The Committee reviewed the Company's EHS risk profile by identifying the most common risks raised by the Business Units in Tullow. The top four EHS risks raised were land transport, security, control of work, and contractor management. The Committee will follow up on further strengthening the alignment of the assurance plan with key risks.
- The Committee continued to focus on specific high-potential or high-frequency incidents to draw out key learnings and monitor implementation. These included:
 - Trends across incidents that indicate systemic issues, such as a number of lifting and driving incidents that led to improved leadership EHS training, clarification of EHS accountabilities and continuing reinforcement of Tullow driving standards and practices;
 - Incidents that indicate a new or emerging risk area: these included an incident that highlighted the need for further clarity on accountabilities where significant operations are undertaken by a contractor company; and
 - Relevant incidents from industry.
- A review of EHS-related issues reported to Tullow's confidential whistle-blowing line and the follow-up procedures from these calls. Awareness of the need to speak up on EHS matters has improved year-on-year, with greater feedback from employees and contractors.
- The entire Board attended process safety training which was led by Dr Andrew Fowler from HFL Risk Services. The training was built around the four process safety pillars of leadership, risk identification and assessment, risk management, and review and improvement. Links were made to how Tullow deals with these in practice.
- In 2014, the Board took the decision to not operate in UNESCO World Heritage sites. Following this decision, the SSEA team is developing a Protected Areas Management Process which will inform the Group's decision-making process for entry to new areas, as well as new activities within existing acreage. Further details of the Board's decision and our approach will be in the Corporate Responsibility Report due out in April.

2014 EHS COMMITTEE HIGHLIGHTS

- Tullow leadership taking the insights from specific incidents and applying them across the operational spectrum;
- Progress on integrating EHS into an overall management system and positive impact of a revised and simplified EHS Functional Plan across the Group;
- Assessment of key common EHS risks identified across our operations with an action plan to provide more consistency of risk evaluation across the Group;
- Improved EHS training and communication around lifting and driving after they were identified as potential systemic issues in the ongoing review on incidents;
- Successful Committee visit to the Sakson PR-5 rig in Kenya; and
- Attendance of the full Board for training on process safety.

EHS Committee membership

Committee member	Meetings (out of a total possible)
Anne Drinkwater (Chair)	4/4
Paul McDade	4/4
Simon Thompson	4/4
Mike Daly*	3/3
David Bamford	1/1

* Appointed to the Committee on joining the Board on 1 June 2014 and following David Bamford's resignation from the Board on 30 April 2014

Looking forward to 2015

- The Committee will have a continued emphasis on process safety, and as an example, review the planned assurance programme of Jubilee operations;
- Following the implementation of the EHS audit and assurance programme, the Committee will review the effectiveness of the audit programme and follow-up actions;
- To ensure that Tullow is adopting best practice, the Committee will improve its monitoring of external developments in the EHS arena; and
- As the TEN development continues, the Committee will seek to ensure that good practice and lessons learned from Jubilee are embedded in the plans for TEN operations.

ANNUAL STATEMENT ON REMUNERATION

The Remuneration Committee is focused on ensuring Executive Directors are rewarded for long-term performance, rather than short-term returns.



JEREMY WILSON
CHAIRMAN OF THE REMUNERATION COMMITTEE

DEAR SHAREHOLDER

On behalf of the Board, I am presenting the Remuneration Committee's report for 2014 on Directors' remuneration – my first report after taking over from David Bamford as Committee Chairman after the 2014 AGM. The report is split into three main sections:

- This Annual Statement, which provides a summary of the year under review and the Committee's intentions going forward;
- The Directors' Remuneration Policy Report, which sets out the three-year Directors' remuneration policy for the Company which commenced 1 January 2014 and became formally effective from the 2014 AGM. While disclosure of this part of the report is not required this year, this section has been included again in line with best practice; and
- The Annual Report on Remuneration, which provides details of the remuneration earned by Directors in the year ended 31 December 2014 and how the policy will be operated in 2015.

Summary of major decisions made in 2014

There was a radical overhaul of pay for Executive Directors and Senior Managers at the start of 2013, which resulted in the introduction of the Tullow Incentive Plan (TIP). This plan combines an annual bonus and long-term incentive linked to a set of stretching financial, operational and total shareholder return (TSR)-related objectives, explicitly linked to the achievement of Tullow's long-term strategy. The Committee has continued to operate this remuneration policy during 2014 and will continue to do so during 2015. As such, the major work of the Committee involved: the monitoring of this plan under the 2014 targets (KPIs); the application of appropriate discretion where applicable; and the setting of targets for 2015.

Performance and reward for 2014

At the start of 2014, Executive Director base salaries were frozen to reflect the challenging market background. The performance targets set for 2014 in respect of the TIP awards to be granted in 2015 were challenging in the context of the time and proved even more so as the year progressed.

It is disappointing to report that the targets in production, opex, exploration and portfolio monetisation were missed and these contributed to our poor share price performance and a nil contribution for the TSR measure, which made up 50% of the scorecard. However, the Executive team performed well in the area of Safety, Sustainability and External Affairs and on a number of the longer-term strategic objectives. In particular, regional developments in Ghana around Jubilee and the TEN Project and in East Africa were strong. Moreover, objectives around funding resilience, risk management and delivery of Pathway were mostly met. The net result of these various factors produced an overall KPI scorecard performance of 23%, resulting in a cash bonus of 69% of salary and a further 69% of salary awarded in shares which will be deferred 50% over four years and 50% over five years. The Committee believes this longer-term vesting period that was introduced with the TIP is in line with shareholder desire for Executive Directors to be rewarded for long-term performance rather than short-term returns. The 2012 PSP Awards, where vesting in 2015 was based on relative TSR performance over the three years ended 31 December 2014, did not vest as a result of Tullow's below-threshold TSR over the performance period.

Executive Director Remuneration Policy for 2015

As we looked forward to set the salary levels and TIP performance targets for 2015, the Committee wanted to recognise the ongoing challenging environment, the revised strategy and the need to streamline and refocus the business. We also wanted to recognise and reward the talent and continued commitment of the Executive team, albeit in light of market conditions. The result of these deliberations has led to a freeze in fixed pay for the second year running and a set of KPI targets which include TSR performance (50%), strong production of Jubilee, and the ongoing delivery of the TEN development as well as developments in Uganda and Kenya. Stretching financial metrics and a strong balance sheet are also included in the scorecard as well as measures to deliver on the longer-term growth strategy of the Company. Details of the actual targets are currently commercially sensitive and will therefore be disclosed in the 2015 Annual Report. Finally, in line with the pay freeze, the Committee has agreed with the Executive Directors to reduce the maximum award available under the TIP in 2015 from 600% to 500% of salary.

Shareholder dialogue

The Committee encourages dialogue with the Company's shareholders. It will consult major shareholders ahead of any significant future changes to remuneration policy, although it is intended that the policy, for which shareholder approval was obtained at the 2014 AGM, will remain in operation until the end of the three-year period originally intended. On behalf of the Board, I would like to thank shareholders for their continued support. Should any shareholder wish to contact me in connection with the Group's Senior Executive remuneration policy, they may email me at: remunerationchair@tulloil.com.

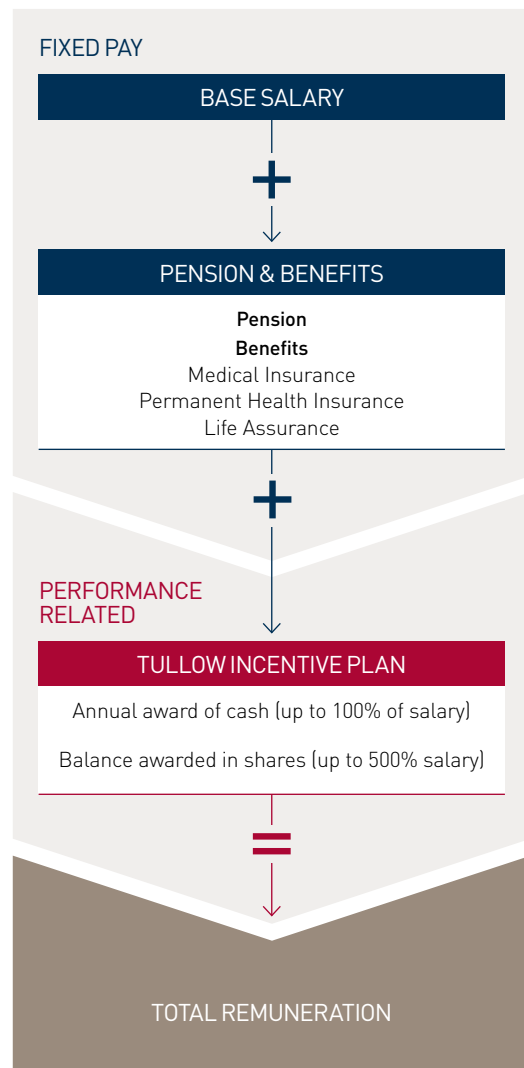


Jeremy Wilson

Chairman of the Remuneration Committee

10 February 2015

COMPONENTS OF REMUNERATION



Glossary

AGM	Annual General Meeting
Capex	Capital expenditure
DSBP	Deferred Share Bonus Plan
EHS	Environment, Health & Safety
ESOS	2000 Executive Share Option Scheme
HMRC	Her Majesty's Revenue and Customs
Opex	Operating expenses
PSP	Performance Share Plan
SIP	UK Share Incentive Plan
TIP	Tullow Incentive Plan
TSR	Total Shareholder Return

Preparation of this report

This report has been prepared in accordance with the requirements of the Companies Act 2006, the Large and Medium-Sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013, which came into force on 1 October 2013 and which set out the new reporting requirements in respect of Directors' remuneration and the Listing Rules. The legislation requires the external auditors to state whether, in their opinion, the parts of the report that are subject to audit have been properly prepared in accordance with the relevant legislation and these parts have been highlighted.

DIRECTORS' REMUNERATION POLICY REPORT (VOLUNTARY DISCLOSURE)

Although Tullow is not technically required to disclose the Remuneration Policy Report this year, this part of the remuneration report, which has been included again in line with best practice, sets out the remuneration policy for the Company which commenced 1 January 2014 and became formally effective following approval from shareholders through a binding vote at the 2014 AGM. This section also explains how the remuneration policy will be operated during 2015.

Policy overview

The principles of the Remuneration Committee are to ensure that remuneration is linked to Tullow's strategy and promotes the attraction, motivation and retention of the highest quality executives who are key to delivering sustainable long-term value growth and substantial returns to shareholders.

Consideration of shareholders' views

The Remuneration Committee considers shareholder feedback received at the AGM each year and, more generally, guidance from shareholder representative bodies. This feedback, plus any additional feedback received during any meetings from time to time, is considered as part of the Company's annual review of remuneration policy.

Employment conditions elsewhere in the Group

In setting the remuneration policy and remuneration levels for Executive Directors, the Committee is cognisant of the approach to rewarding employees in the Group and levels of pay increases generally. The Committee does not formally consult directly with employees on the executive pay policy, but it does receive regular updates from the Vice President, HR.

The following differences exist between the Company's policy for the remuneration of Executive Directors, as detailed in the summary table overleaf and its approach to the payment of employees generally:

- Benefits offered to other employees generally include a performance bonus award of up to 35% of salary;
- Pension provision of a payment of 10% of salary into our Company defined contribution plan; increasing to 15% of salary for employees over 50; and
- Participation in the TIP is limited to the Executive Directors and Senior Management according to their role and responsibility. Other employees are eligible to participate in the Company's below Board share-based plans.

In general, these differences exist to ensure that remuneration arrangements are market-competitive for all levels of role in the Company. Whilst there is a performance link to remuneration for all employees, in the case of the Executive Directors and Senior Management, a greater emphasis tends to be placed on variable pay given their general opportunity to impact directly upon Company performance.

Summary Directors' remuneration policy

The table overleaf sets out a summary of each element of the Directors' remuneration packages, their link to the Company's strategy, the policy for how these are operated, the maximum opportunity and the performance framework. Although not part of the Remuneration Policy Report, the column to the right of the table also sets out how the Remuneration Committee intends to apply the policy for 2015.

Operation of share plans

The Committee will operate the TIP (and legacy plans) according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans in relation to senior management, including Executive Directors. These include (but are not limited to) the following (albeit with the level of award restricted as set out in the policy table overleaf):

- Who participates;
- The timing of grant of awards and/or payment;
- The size of awards and/or payment;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes and a good leaver's treatment;
- Adjustments to awards required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and
- The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

The choice of the performance metrics applicable to the TIP, which are set by the Committee at the start of the relevant financial year, reflects the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of stretching financial, operational and TSR related objectives, explicitly linked to the achievement of Tullow's long-term strategy.

As a result of the switch from: (i) a three-year PSP vesting period to a five-year TIP vesting period, and (ii) pre-vesting performance conditions to pre-grant performance conditions, the following transitional arrangements apply in the early years of the TIP's operation:

- To cover the gap between 2016 (when the 2013 PSP awards (the final set of awards under this plan) normally vest) and 2019 (when the Deferred TIP Shares granted in 2014 in relation to 2013 would otherwise normally vest), instead of vesting over five years the Deferred TIP Shares granted in 2014 will vest 50% after three years (i.e. 2017) and 50% after four years (i.e. 2018) and the Deferred TIP Shares granted in 2015 will vest 50% after four years (i.e. 2019) and 50% after five years (i.e. 2020). Deferred TIP Shares granted in 2016 in relation to the performance period ending 31 December 2015 and subsequent Deferred TIP Share grants will vest after five years from grant; and
- To reduce the impact of overlapping performance periods, the TSR performance period for TIP Awards made in 2014 was measured over the 2013 financial year, the performance period for TIP Awards granted in 2015 was measured over 2013-14 financial years and the 2016 Awards will be measured over the 2014-15 financial years (operating a three-year TSR performance period for early TIP Awards would create an overlap with past PSP awards). TSR, in relation to the 2017 TIP Award and subsequent awards, will be based on a three-year performance period ending with the financial year ending immediately prior to grant.

In addition to the TIP, Executive Directors are also eligible to participate in the UK SIP on the same terms as other employees. All employee share plans do not operate performance conditions.

Legacy remuneration

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority was given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

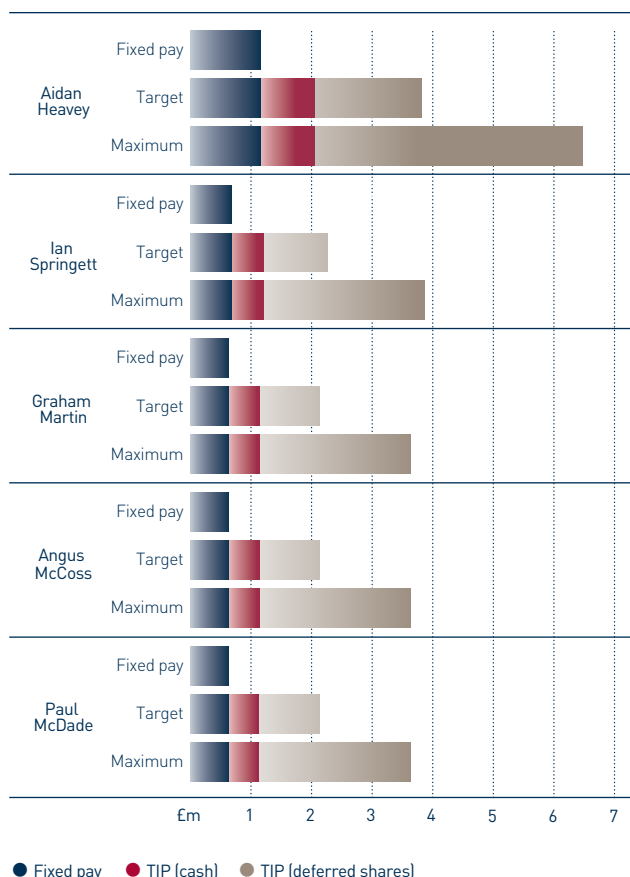
Summary Directors' remuneration policy

	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To provide an appropriate level of fixed cash income to attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy.	Generally reviewed annually with increases normally effective from 1 January. Base salaries will be set by the Committee taking into account the: <ul style="list-style-type: none"> • Scale, scope and responsibility of the role; • Skills and experience of the individual; • Retention risk; • Base salary of other employees; and • Base salary of individuals undertaking similar roles in companies of comparable size and complexity. 	Increases to current Executive Director salaries, presented in the application of policy in 2015 column to the right of this policy table, will not normally exceed the average increase awarded to other UK-based employees. Increases may be above this level in certain circumstances, for instance if there is an increase in the scale, scope or responsibility of the role or to allow the base salary of newly appointed executives to move towards market norms as their experience and contribution increase.
Pension and benefits	To attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy.	Defined contribution pension scheme or salary supplement contribution to personal pension plan. Medical insurance, permanent health insurance and life assurance. May participate in the UK SIP.	Pension: 25% of base salary. Benefits: The range of benefits that may be provided is set by the Committee after taking into account local market practice in the country where the executive is based. Additional benefits may be provided, as appropriate. SIP: Up to HM Revenue & Customs (HMRC) limits.
Tulow Incentive Plan (TIP)	To provide a simple, competitive, performance-linked incentive plan that: <ul style="list-style-type: none"> • Will attract, retain and motivate individuals with the required personal attributes, skills and experience; • Provides a real incentive to achieve our strategic objectives; and • Aligns the interests of management and shareholders. 	Annual award of cash (up to 100% of salary) and deferred shares (up to 500% of salary). Awards under the TIP (which are non-pensionable) will be made in line with the Committee's assessment of the performance targets. Deferred shares normally vest after five years from grant, normally subject to continued service.	The maximum annual level of award is 600% of salary for Executive Directors. Dividend equivalents will accrue on Deferred TIP Shares over the vesting period, to the extent awards vest.
Minimum shareholding requirement	To align the interests of management and shareholders and promote a long-term approach to performance and risk management.	Executive Directors are required to retain at least 50% of post-tax share awards until a minimum shareholding equivalent to 400% of salary is achieved (increasing to 600% of salary from the date the first TIP Awards vest).	Not applicable
Non-executive Directors	To provide an appropriate fee level to attract individuals with the necessary experience and ability to make a significant contribution to the Group's activities while also reflecting the time commitment and responsibility of the role.	The Chairman is paid an annual fee and the non-executive Directors are paid a base fee and additional responsibility fees for the role of Senior Independent Director or for chairing a Board Committee. Fees are normally reviewed annually. Each non-executive Director is also entitled to a reimbursement of necessary travel and other expenses. Non-executives do not participate in any share scheme or annual bonus scheme and are not eligible to join the Group's pension schemes.	There is no maximum prescribed fee increase although fee increases for non-executive Directors will not normally exceed the average increase awarded to Executive Directors. Increases may be above this level if there is an increase in the scale, scope or responsibility of the role.

Framework used to assess performance and provisions for the recovery of sums paid/payable	Application of policy in 2015 (Not part of the Policy Report)														
Not applicable	<p>Current Executive Director base salaries:</p> <table> <tr> <th></th><th>2015</th></tr> <tr> <td>Aidan Heavey</td><td>£886,074</td></tr> <tr> <td>Graham Martin</td><td>£501,106</td></tr> <tr> <td>Angus McCoss</td><td>£501,106</td></tr> <tr> <td>Paul McDade</td><td>£501,106</td></tr> <tr> <td>Ian Springett</td><td>£532,073</td></tr> </table> <p>No changes for 2015</p>		2015	Aidan Heavey	£886,074	Graham Martin	£501,106	Angus McCoss	£501,106	Paul McDade	£501,106	Ian Springett	£532,073		
	2015														
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Paul McDade	£501,106														
Ian Springett	£532,073														
Not applicable	No change														
<p>A balanced scorecard of financial and operational objectives, linked to the achievement of Tullow's long-term strategy. Specific targets will vary from year to year in accordance with strategic priorities but may include targets relating to: relative or absolute Total Shareholder Return (TSR); earnings per share (EPS); EHS; financial; production; operations; projects; exploration; or specific strategic objectives.</p> <p>Performance will typically be measured over one year, apart from TSR and EPS, if adopted, which will normally be measured over three years (although see 'Operation of share plans' in respect of transitional arrangements).</p> <p>Non TSR targets will normally be based on a sliding scale from 20% at threshold performance to 100% at maximum.</p> <p>The Committee reserves the right to exercise discretion in the event of unforeseen positive or negative developments during the course of the year.</p> <p>The Committee retains discretion to apply malus and clawback to the cash and deferred shares elements of the TIP during the five-year vesting period in the event of a material adverse restatement of the financial accounts or reserves or a catastrophic failure of operational, EHS risk management.</p>	<p>The Committee has reduced the maximum TIP award for 2015 from 600% to 500% of salary. The balanced score card in 2015 will consist of:</p> <ul style="list-style-type: none"> • 50% based on relative TSR against a basket of oil and gas exploration companies with a threshold of median performance and a maximum of upper quintile; • 10% based on leading and lagging EHS targets; • 10% based on TEN development targets; • 10% based on production, opex and net G&A; and • 20% based on specific strategic objectives.* <p>Targets will be stretching. 20% of the non TSR targets and 25% of the TSR targets will vest at threshold. Details of actual performance will be given retrospectively in the 2015 Annual Report.</p> <p>*Details of the 2015 strategic objectives are on page 98 of the Annual Report on Remuneration.</p>														
Not applicable	No change														
Not applicable	<p>Current non-executive Director fees:</p> <table> <tr> <th></th><th>2015</th></tr> <tr> <td>Chairman</td><td>£310,500</td></tr> <tr> <td>Non-executive base fee</td><td>£69,500</td></tr> <tr> <td>Senior Independent Director</td><td>£15,000</td></tr> <tr> <td>Audit Committee Chair</td><td>£20,000</td></tr> <tr> <td>Remuneration Committee Chair</td><td>£20,000</td></tr> <tr> <td>EHS Committee Chair</td><td>£15,000</td></tr> </table> <p>No changes for 2015</p>		2015	Chairman	£310,500	Non-executive base fee	£69,500	Senior Independent Director	£15,000	Audit Committee Chair	£20,000	Remuneration Committee Chair	£20,000	EHS Committee Chair	£15,000
	2015														
Chairman	£310,500														
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Audit Committee Chair	£20,000														
Remuneration Committee Chair	£20,000														
EHS Committee Chair	£15,000														

Remuneration scenarios for Executive Directors

The charts below show how the composition of the Executive Directors' remuneration packages varies at different levels of performance under the remuneration policy, as a percentage of total remuneration opportunity and as a total value:



Notes

1. Base salaries are those effective 1 January 2015 (unchanged from 1 January 2014).
2. Pensions are based on 25%.
3. The target TIP award is taken to be 50% of the maximum annual opportunity for 2015 (250% of salary for all Executive Directors).
4. The maximum value of the TIP is taken to be 500% of salary (i.e. the maximum annual opportunity).
5. No share price appreciation has been assumed.

Service agreements

Each Executive Director entered into a new service agreement with Tullow Group Services Limited effective 1 January 2014. The previous agreements dated between 2002 and 2008 were revised due to changes in employment legislation, best practice and changes in benefit. Each service agreement sets out restrictions on the ability of the Director to participate in businesses competing with those of the Group or to entice or solicit away from the Group any senior employees in the six months after ceasing employment. The above reflects the Committee's policy that service contracts should be structured to reflect the interests of the Group and the individuals concerned, while also taking due account of market and best practice.

The term of each service contract is not fixed. Each agreement is terminable by the Director on six months' notice and by the employing company on 12 months' notice.

External appointments

The Board has not introduced a formal policy in relation to the number of external directorships that an Executive Director may hold. Currently, the only Executive Directors who hold external directorships are Aidan Heavey and Angus McCoss. Aidan is a director of Traidlinks, a charity promoting enterprise in the developed world, especially Africa. He receives no fee for this position. Angus has been nominated by Tullow as its representative on the board of Ikon Science Limited, a company in which Tullow has a small equity stake. Any fees payable for his services have been waived by Tullow.

Policy for new appointments

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

Individuals will participate in the TIP up to a maximum annual limit of 500% of base salary subject to: (i) award levels in the year of appointment being pro-rated to reflect the proportion of the financial year worked; and (ii) where a performance metric is measured over more than one year, the proportion of awards based on that metric will normally be reduced to reflect the proportion of the performance period worked. The Committee may consider buying out incentive awards which an individual would forfeit upon leaving their current employer although any compensation would, where possible, be consistent with respect to currency (i.e. cash for cash, equity for equity), vesting periods (i.e. there would be no acceleration of payments), expected values and the use of performance targets.

The Committee's policy in respect of the treatment of Executive Directors leaving Tullow following the introduction of the TIP is described below:

	Cessation of employment due to death, injury, disability, retirement, redundancy, the participant's employing company or business for which they work being sold out of the Company's group or in other circumstances at the discretion of the Committee	Cessation of employment due to other reasons (e.g. termination for cause)
TIP (Cash)	Cessation during a financial year, or after the year but prior to the normal TIP award date, will result in only the cash part of the TIP being paid (and pro-rated for the proportion of the year worked). There would be no entitlement to Deferred TIP Shares that would have been granted following the date of cessation.	No entitlement to any TIP cash award following the date notice is served
TIP (Deferred Shares)	Unvested Deferred TIP Shares normally vest at the normal time (except on death or retirement – see below) unless the Committee determines they should vest at cessation. On death, Deferred Shares normally vest unless the Committee determines that they should vest at the normal vesting date. On retirement (as evidenced to the satisfaction of the Committee), Deferred TIP Shares will vest at the earlier of the normal vesting date and three years from retirement unless the Committee determines they should vest at cessation.	Unvested Deferred TIP Shares lapse

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take account of the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Fee levels for non-executive Director appointments will take into account the expected time commitment of the role and the current fee structure in place at that time.

Policy for loss of office

Executive Directors' service contracts are terminable by the Director on six months' notice and by the relevant employing company on 12 months' notice. There are no specific provisions under which Executive Directors are entitled to receive compensation upon early termination, other than in accordance with the notice period.

On termination of an Executive Director's service contract, the Committee will take into account the departing Director's duty to mitigate his loss when determining the amount of any compensation. Disbursements such as legal and outplacement costs and incidental expenses may be payable where appropriate.

Any unvested awards held under the Tullow Oil 2005 Deferred Share Bonus Plan (DSBP) (the last awards were granted to Executive Directors in 2013) will lapse at cessation unless the individual is a good leaver (defined under the plan as death, injury or disability, redundancy, retirement, his office or employment being either a company which ceases to be a Group member or relating to a business or part of a business which is transferred to a person who is not a Group member or any other reason the Committee so decides). For a good leaver, unvested awards will normally vest at cessation (unless the Committee decides they should vest at the normal vesting date).

Any unvested awards held under the Tullow Oil 2005 Performance Share Plan (the last awards were granted to Executive Directors in 2013) will lapse at cessation unless the individual is a good leaver (defined as per the DSBP). For a good leaver, unvested awards will normally vest at the normal vesting date (unless the Committee decides they should vest at cessation) subject to performance conditions and time pro-rating (unless the Committee decides that the application of time pro-rating is inappropriate).

Non-executive Director terms of appointment

Non-executive Director	Year appointed Director	Number of complete years on the Board	Date of current engagement letter	Expiry of current term
Simon Thompson	2011	3	01.01.15	31.12.17
Tutu Agyare	2010	4	24.08.10	24.08.16
Mike Daly	2014	0	01.06.14	31.05.17
Anne Drinkwater	2012	2	10.02.15	9.02.18
Ann Grant	2008	6	15.05.14	30.04.17
Steve Lucas	2012	2	13.03.12	13.03.15
Jeremy Wilson	2013	1	17.09.13	20.10.16

In each case, the appointment is renewable thereafter if agreed by the Director and the Board. The appointment of any non-executive Director may be terminated by either party on three months' notice. There are no arrangements under which any non-executive Director is entitled to receive compensation upon the early termination of his or her appointment.

ANNUAL REPORT ON REMUNERATION

This part of the report provides details of the operation of the Remuneration Committee, how the remuneration policy was implemented in 2014 (including payment and awards in respect of incentive arrangements) and how shareholders voted at the 2014 AGM. This part of the report also includes a summary of how the policy will be operated for 2015 although for ease of reference, this is presented within the Remuneration Policy Report.

Remuneration Committee membership

Committee member	Meetings attended out of a total possible
Jeremy Wilson (Chair from 30 April 2014)	4 / 4
David Bamford (Chair to 30 April 2014)	2 / 2
Tutu Agyare	4 / 4
Anne Drinkwater	4 / 4
Steve Lucas	4 / 4
Simon Thompson	4 / 4

Committee's main responsibilities

- Determining and agreeing with the Board the remuneration policy for the Chief Executive Officer, Chairman, Executive Directors and Senior Executives;
- Reviewing progress made against performance targets and agreeing incentive awards;
- Reviewing the design of share incentive plans for approval by the Board and shareholders and determining the policy on annual awards to Executive Directors and Senior Executives under existing plans;
- Within the terms of the agreed policy, determining the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director and Senior Executive;
- Monitoring the level and structure of remuneration for Senior Management; and
- Reviewing and noting the remuneration trends across the Group.

The Committee's terms of reference are reviewed annually and can be viewed on the Company's corporate website.

Committee membership and meetings

The Committee currently comprises five non-executive Directors. Jeremy Wilson became Chairman of the Committee upon David Bamford's retirement on 30 April 2014. The membership and attendance of members at Committee meetings held in 2014 are shown above.

Committee's advisers

The Committee invites individuals to attend meetings to provide advice so as to ensure that the Committee's decisions are informed and take account of pay and conditions in the Group as a whole. Sources of advice include:

- The Vice President, HR; Chief Financial Officer and
- New Bridge Street (part of Aon plc) which continued to advise the Committee during 2014. During this period, Aon plc provided certain insurance broking services to the Company, which the Committee did not believe prejudiced New Bridge Street's position as its independent advisers. Fees paid to New Bridge Street for 2014 totalled £36,105 in respect of advice provided to the Remuneration Committee and £54,741 in respect of implementation and operation of the Company's share plans.

The Committee also consults with the Company's major investors and investor representative groups as appropriate. No Director takes part in any decision directly affecting his or her own remuneration. The Company Chairman also absents himself during discussion relating to his own fees.

Directors' remuneration (audited)

The remuneration of the Directors for the year ended 31 December 2014 payable by Group companies and comparative figures for 2013 are shown in the table below:

		Fixed Pay			Tullow Incentive Plan		Legacy Incentives	
		Salary /fees ² £	Pensions £	Taxable Benefits ³ £	TIP Cash £	Deferred TIP Shares ⁴ £	PSP Awards ⁵ £	Total £
Executive Directors								
Aidan Heavey	2014	886,080	221,520	47,926	611,395	611,395	-	2,378,316
	2013	886,080	221,520	47,729	797,472	797,472	-	2,750,273
Graham Martin	2014	501,110	125,278	7,001	345,766	345,766	-	1,324,921
	2013	501,110	125,278	5,698	450,999	450,999	-	1,534,084
Angus McCoss	2014	501,110	125,278	5,204	345,766	345,766	-	1,323,124
	2013	501,110	125,278	4,649	450,999	450,999	-	1,533,035
Paul McDade	2014	501,110	125,278	3,937	345,766	345,766	-	1,321,857
	2013	501,110	125,278	3,262	450,999	450,999	-	1,531,648
Ian Springett	2014	532,080	133,020	6,331	367,135	367,135	-	1,405,701
	2013	532,080	133,020	5,462	478,872	478,872	-	1,628,306
Subtotal	2014	2,921,490	730,374	70,399	2,015,828	2,015,828	-	7,753,919
	2013	2,921,490	730,374	66,800	2,629,341	2,629,341	-	8,977,346
Non-executive Directors								
Tutu Agyare	2014	69,500	-	-	-	-	-	69,500
	2013	69,500	-	-	-	-	-	69,500
David Bamford	2014	34,833	-	-	-	-	-	34,833
	2013	104,500	-	-	-	-	-	104,500
Mike Daly ¹	2014	40,542	-	-	-	-	-	40,542
	2013	-	-	-	-	-	-	-
Anne Drinkwater	2014	84,500	-	-	-	-	-	84,500
	2013	79,500	-	-	-	-	-	79,500
Ann Grant	2014	79,500	-	-	-	-	-	79,500
	2013	69,500	-	-	-	-	-	69,500
Steve Lucas	2014	89,500	-	-	-	-	-	89,500
	2013	89,500	-	-	-	-	-	89,500
Simon Thompson	2014	310,500	-	-	-	-	-	310,500
	2013	310,500	-	-	-	-	-	310,500
Jeremy Wilson	2014	82,833	-	-	-	-	-	82,833
	2013	13,989	-	-	-	-	-	13,989
Subtotal	2014	791,708	-	-	-	-	-	791,708
	2013	736,989	-	-	-	-	-	736,989
Total	2014	3,713,198	730,374	70,399	2,015,828	2,015,828	-	8,545,627
	2013	3,658,479	730,374	66,800	2,629,341	2,629,341	-	9,714,335

Notes

1. Appointed a Director on 1 June 2014.
2. 2014 annual base salaries of the Executive Directors have been rounded up to the nearest £10 for payment purposes, in line with established policy.
3. Taxable benefits comprise private medical insurance and, in the case of Aidan Heavey, car benefits.
4. These figures represent that part of the TIP award required to be deferred into shares.
5. Relates to the 2011 and 2012 PSP awards which lapsed in 2014 and 2015 respectively as a result of the relative TSR performance conditions not being met.

Material contracts

There have been no other contracts or arrangements during the financial year in which a Director of the Company was materially interested and/or which were significant in relation to the Group's business.

Termination payments (audited)

No Executive Director left in 2014 and therefore no compensation for loss of office was paid. The principles governing compensation for loss of office payments are set out on page 95. No termination payment was made in respect of David Bamford's retirement from the Board at the 2014 AGM.

Details of variable pay earned in the year

Determination of 2015 TIP Award based on performance to 31 December 2014 (audited)

Following the end of the 2014 financial year, the Committee awarded Executive Directors a total TIP award of 23% of the maximum (equating to 138% of base salary). This will be payable 50% in cash and 50% in deferred shares. As per the transitional arrangements set out in the Remuneration Policy Report, Deferred TIP Shares granted in 2015 in relation to 2014 performance will vest 50% after four years (i.e. in 2019) and 50% after five years (i.e. in 2020). Details of the performance targets which operated and performance against those targets are as follows:

Performance metric	Performance target	% of Award (% of salary maximum)	Actual
Operational (Production)	20% payable at threshold, increasing to 40% payable at target, increasing to 100% payable at stretch	10% (60%)	3% ¹ (18%)
Exploration (Finding Costs)	20% payable at threshold, increasing to 40% payable at target, increasing to 100% payable at stretch	10% (60%)	0% ² (0%)
EHS	Leading and lagging quantitative and qualitative measures	10% (60%)	7% ³ (42%)
Strategic Targets	Six specific strategic targets (see overleaf)	20% (120%)	13% ⁴ (78%)
Relative TSR	25% payable at median, increasing to 100% payable at upper quintile against a bespoke group of listed exploration and production companies measured over two years to 31 December 2014	50% (300%)	0% ⁵ (0%)
Total		100% (600%)	23% (138%)

1. Production was below the threshold target of 83,100 boepd. Net G&A was below the stretch target of \$217.0 million.

2. Finding costs were above the threshold target of \$10.0/boe.

3. 13 EHS targets were fully achieved, two targets were partially achieved and one target was not met.

4. Details of the assessment against the strategic targets are presented on page 99.

5. The TSR comparator group for the 2015 TIP award was as follows: Afren, Anadarko, Apache, BG Group, Cairn Energy, Canadian Natural Resources, Cobalt Energy, Conoco Phillips, Hess, Kosmos Energy, Lundin Petroleum, Marathon Oil, Noble Energy, Oil Search, Ophir Energy, Premier Oil, Santos, SOCO International, Talisman Energy and Woodside Petroleum. As per the transitional arrangements set out in the Remuneration Policy Report, the performance period for the 2015 TIP award was based on the 24 months ended 31 December 2014. Tullow's TSR of -64.06% was below the median of -9.8%.

Note

See KPIs on pages 16-19 for more details.

2015 strategic objectives

As mentioned in the summary Directors' remuneration policy table on page 92, the 2015 strategic objectives are in line with strategic priorities and consist of:

- Liquidity: Take appropriate steps to ensure cost effective and sufficient liquidity in 2015;
- East Africa: Deliver East Africa exploration campaign and demonstrate commercial viability of South Lokichar resource base and maintain ability to accelerate a commercially attractive project into 2016; and
- Major Simplification Project: Deliver business restructuring and efficient processes focused on enhancing value.

Assessment of 2014 Strategic TIP targets

2014 Strategic TIP targets	Remuneration Committee assessment of performance
Exploration: Demonstrate success in replenishing and high-grading the exploration portfolio within an overall objective of discovering a 200 mmboe average annual contingent resource add at \$5/boe;	Tullow's exploration programme had mixed success this year with a significant reduction in contingent resource additions of 54 mmboe and a finding cost of \$19.5/boe. The portfolio has been reshaped in preparation for a reduction in activity during 2015 and E&A spend has been reduced to \$200 million per annum. New prospective acreage has been secured in lower cost environments such as Jamaica and Namibia. The ongoing appraisal of our acreage in Kenya has continued.
Regional Business: Deliver key local objectives for operational delivery and progress key development projects (including TEN, Uganda, Kenya);	The production integrity of the FPSO in Ghana has been maintained with strong annual production despite being gas constrained for the majority of the year. The gas pipeline from the Jubilee FPSO to the new onshore gas plant was fully commissioned and gas exports commenced. The TEN Project remains on schedule and on budget and was 50% complete at the year end. In Kenya we continued appraisal activities with 19 E&A wells drilled across two basins. Alignment was achieved with the Governments of Kenya and Uganda on the East Africa pipeline. The Uganda Development Project progressed and the resolution of legacy issues with government of Uganda.
Portfolio and monetisation: Deliver identified portfolio and monetisation options to deliver cash at appropriate value (including TEN, SNS, Mauritania);	A restructuring process was launched with 19 companies in an effort to farm down our interest in the TEN Project. Rapid changes in the global oil market led to uncompetitive commercial offers which were rejected. The decision was made to retain the current TEN equity through to first oil. SNS assets were sold and the Banda project was not pursued due to budget pressure.
Funding: Ensure a well-funded balance sheet by reference to debt covenants, future capex plans and the delivery of portfolio activity. Deliver \$1.9 billion operating cash flow (adjusted for commodity prices) and manage capex to \$2.2 billion;	Excellent progress made in this area with second bond issue of \$650 million completed. The RBL was refinanced and the revolving credit facility was increased to \$750 million. Norway EFF refinanced and increased to NOK 3 billion. Bilateral letter of credit facility executed in July, releasing circa \$300 million of debt draw capacity.
Corporate Initiatives: Deliver the Pathway/SAP project to replace financial reporting systems and improve organisational effectiveness through the implementation of a new and simplified IMS system; and	The SAP project implementation was successfully completed with the final major office implementation in Kenya which was deferred to 1 January 2015 due to extremely high activity levels within the Business Unit during the year. The new Integrated Management System design was completed and the system architecture populated with a significantly reduced number of Policies, Standards and Guidelines to improve our business process efficiency.
Above-ground risk: Demonstrate progress in the management of above-ground risk underpinned by increased capability and a rationalised organisational structure.	A new SSEA team was successfully created by combining and rationalising the previous EHS and EA functions. Active management of above ground risk was conducted with particular emphasis on Kenya with progress in relationship building within this challenging tribal environment. A political risk drivers report delivered to the Board along with strategy papers on Ghana, Equatorial Guinea and Gabon during the year.

Vesting of PSP awards (audited)

The PSP awards granted on 9 May 2012 were based on performance to 31 December 2014. As disclosed in previous annual reports, the performance condition was as follows:

Metric	Performance Condition	Threshold Target	Stretch Target	Actual	% Vesting
Oil Sector TSR 70% of Awards	15% of this part of an award vests at Index TSR ¹ , increasing pro-rata to 100% of this part of an award vesting for outperformance of Index TSR by 20%p.a.	0% TSR	20% TSR	-17.9% TSR	0%
FTSE 100 TSR 30% of Awards	15% of this part of an award vests at Index TSR ² , increasing pro-rata to 100% of this part of an award vesting for outperformance of Index TSR by 20%p.a.	0% TSR	20% TSR	-17.9% TSR	0%
Total vesting	0%				

- For the Oil Sector element, Index TSR is based on the weighted mean TSR (i.e. each comparator's TSR is weighted by the comparator's market capitalisation at the start of the performance period, subject to a minimum weighting of 2% and a maximum weighting of 10% for any individual company). The constituents of the group were as follows: Afren, Anadarko, Apache, BG Group, Cairn Energy, Canadian Natural Resources, Conoco Phillips, EOG Resources, Hess, Lundin Petroleum, Marathon Oil, Noble Energy, Oil Search, Ophir Energy, Pioneer Natural Resources, Premier Oil, Santos, SOCO International, Talisman Energy and Woodside Petroleum.
- For the FTSE 100 element, Index TSR is the median TSR of the individual constituents of the index.

The award details for the Executive Directors are therefore as follows:

Executive	Type of award	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Total	Estimated value (£'000)
Aidan Heavey	Nil-cost option	300,000	0	300,000	0	0
Other Executive Directors	Nil-cost option	175,000	0	175,000	0	0

TIP Awards granted in 2014

The first TIP awards were granted to Executive Directors on 19 February 2014, based on the performance period ended 31 December 2013, as follows:

Executive	Number of TIP shares awarded	Face value of awards at grant date	Normal Vesting Dates (end of exercise window)	Pre -grant performance period
Aidan Heavey	102,992	£797,472	19.2.17 – 50%	
Ian Springett	61,845	£478,872	19.2.18 – 50%	01.01.13 – 31.12.2013
Other Executive Directors	58,246	£450,999	(19.2.24)	

UK SIP shares awarded in 2014 (audited)

The UK SIP is a tax-favoured all-employee plan that enables UK employees to save out of pre-tax salary. Quarterly contributions are used by the Plan trustee to buy Tullow Oil plc shares (partnership shares). The Group funds an award of an equal number of shares (matching shares). The current maximum contribution is £150 per month (£125 per month to 5 April 2014). Details of shares purchased and awarded to Executive Directors under the UK SIP are as follows:

Director	Shares held 01.01.14	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.14	SIP shares that became unrestricted in the year	Total unrestricted shares held at 31.12.14
Graham Martin	7,776	218	218	8,212	392	6,778
Angus McCoss	2,806	218	218	3,242	392	1,808
Paul McDade	7,776	218	218	8,212	392	6,778
Ian Springett	1,282	219	219	1,720	286	286

Graham Martin, Angus McCoss and Paul McDade each bought 111 partnership shares and were awarded 111 matching shares on 5 January 2015. Ian Springett bought 110 partnership shares and was awarded 110 partnership shares on 5 January 2015. Unrestricted shares (which are included in the total shares held at 31 December 2014) are those which no longer attract a tax liability if they are withdrawn from the plan.

Comparison of overall performance and pay

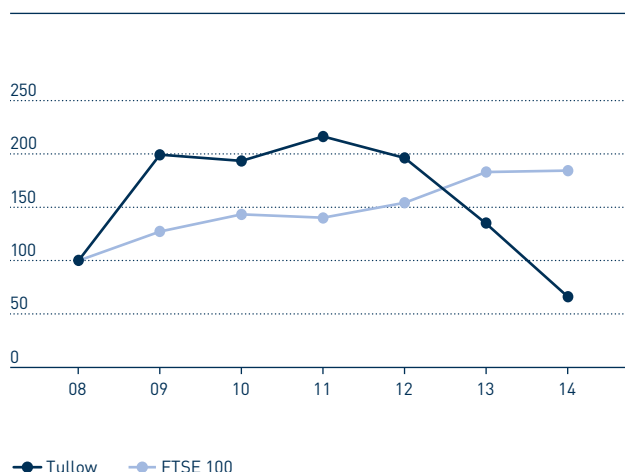
As in previous reports, the Remuneration Committee has chosen to compare the TSR of the Company's ordinary shares against the FTSE 100 Index principally because this is a broad index of which the Company is a constituent member. The values indicated in the graph below, show the share price growth plus reinvested dividends over a six-year period from a £100 hypothetical holding of ordinary shares in Tullow Oil plc and in the index. The total remuneration figures for the Chief Executive during each of the last six financial years are shown in the table below. The total remuneration figure includes the annual bonus based on that year's performance (2009 to 2012), PSP awards based on three-year performance periods ending in the relevant year (2009 to 2014) and the value of TIP awards based on the performance period ending in the relevant year (2013 to 2014). The annual bonus payout, PSP vesting level and TIP award, as a percentage of the maximum opportunity, are also shown for each of these years.

	Year ending in					
	2009	2010	2011	2012	2013	2014
Total remuneration	£4,516,580	£3,558,698	£4,688,541	£2,623,116	£2,750,273	£2,378,316
Annual bonus (%)	86%	58%	80%	70%	–	–
PSP vesting (%)	100%	100%	100%	23%	0%	0%
TIP (%)	–	–	–	–	30%	23%

CEO – TOTAL PAY VERSUS TSR



TOTAL SHAREHOLDER RETURN



Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's total remuneration (excluding the value of any pension benefits receivable in the year) between the financial year ended 31 December 2013 and 31 December 2014, compared to that of the average for all employees of the Group.

	% Change from 2013 to 2014		
	Salary	Benefits	Bonus
Chief Executive	0%	0%	-23.3%
Average Employees	7.5%	0%	1.1%

Relative importance of spend on pay

The following table shows the Group's actual spend on pay (for all employees) relative to dividends, tax and retained profits.

	2013	2014	% change
Staff costs (£'m)	194	279	44%
Dividends (£'m)	107	111	3%
Tax (£'m)*	62	-247	-499%
Retained profits (£'m)*	2,416	1,484	-39%

* Voluntary disclosure

[The dividend figures relate to amounts payable in respect of the relevant financial year.]

Corporate Governance
REMUNERATION REPORT CONTINUED

Shareholder voting at the last AGM

At last year's AGM (30 April 2014) the remuneration-related resolutions received the following votes from shareholders:

	To approve Directors' Remuneration Policy Report		To approve Annual Statement and Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	585,950,806	90.79	593,102,164	92.05
Against	59,419,570	9.21	51,194,325	7.95
Total votes cast (for and against)	645,370,376	100	644,296,489	100
Votes withheld	1,183,901	–	2,259,835	–
Total issued share capital instructed	–	70.90	–	70.78

Summary of past 2005 Performance Share Plan (PSP) Awards

Details of nil exercise cost options shares granted to Executive Directors for nil consideration under the PSP:

Director	Award grant date	Share price at grant (pence)	As at 01.01.14	Exercised during year	Lapsed during year	As at 31.12.14	Earliest date shares can be acquired	Latest date shares can be acquired
Aidan Heavey	13.05.11	1,330	300,000	–	300,000	–	13.05.14	12.05.21
	09.05.12	1,444	300,000	–	300,000	–	09.05.15	08.05.22
	22.02.13	1,241	300,000	–	–	300,000	22.02.16	21.02.23
			900,000	–	600,000	300,000		
Graham Martin	15.05.08	924.5	80,277	–	–	80,277	15.05.11	14.05.18
	18.03.09	778	98,355	–	–	98,355	18.03.12	17.03.19
	17.03.10	1,281	13,972	–	–	13,972	17.03.13	16.03.20
	13.05.11	1,330	175,000	–	175,000	–	13.05.14	12.05.21
	09.05.12	1,444	175,000	–	175,000	–	09.05.15	08.05.22
	22.02.13	1,241	175,000	–	–	175,000	22.02.16	21.02.23
			717,604		350,000	367,604		
Angus McCoss	13.05.11	1,330	175,000	–	175,000	–	13.05.14	12.05.21
	09.05.12	1,444	175,000	–	175,000	–	09.05.15	08.05.22
	22.02.13	1,241	175,000	–	–	175,000	22.02.16	21.02.23
			525,000		350,000	175,000		
Paul McDade	15.05.08	924.5	80,277	–	–	80,277	15.05.11	14.05.18
	18.03.09	778	98,355	–	–	98,355	18.03.12	17.03.19
	17.03.10	1,281	13,972	–	–	13,972	17.03.13	16.03.20
	13.05.11	1,330	175,000	–	175,000	–	13.05.14	12.05.21
	09.05.12	1,444	175,000	–	175,200	–	09.05.15	08.05.22
	22.02.13	1,241	175,000	–	–	175,000	22.02.16	21.02.23
			717,604		350,000	367,604		
Ian Springett	01.09.08	791	68,873	–	–	68,873	01.09.11	31.08.18
	18.03.09	778	104,438	–	–	104,438	18.03.12	17.03.19
	17.03.10	1,281	14,836	–	–	14,836	17.03.13	16.03.20
	13.05.11	1,330	175,000	–	175,000	–	13.05.14	12.05.21
	09.05.12	1,444	175,000	–	175,000	–	09.05.15	08.05.22
	22.02.13	1,241	175,000	–	–	175,000	22.02.16	21.02.23
			713,147		350,000	363,147		

All of the above awards are based on relative three-year TSR performance and the Committee considering that both the Group's underlying financial performance and its performance against other key factors (e.g. Health & Safety) over the relevant period are satisfactory. 50% of awards are/were measured against an international oil sector comparator group (see past Remuneration Reports for details of specific companies) and 50% of awards are/were measured against the FTSE 100. All outstanding awards under PSP have been granted as, or converted into, nil exercise price options. To the extent that they

vest, they are normally exercisable from three to 10 years from grant. The PSP awards made in March 2012 reached the end of their performance period on 31 December 2014. As a result of the performance conditions not being met the awards have now lapsed.

Summary of past Deferred Share Bonus Plan (DSBP) Awards

Details of nil exercise cost options granted to Executive Directors for nil consideration under the DSBP:

Director	Award grant date	As at 01.01.14	Exercised during year	As at 31.12.14	Earliest date shares can be acquired	Latest date shares can be acquired
Aidan Heavey	18.03.11	19,995	–	19,995	01.01.14	17.03.21
	21.03.12	45,654	–	45,654	01.01.15	20.03.22
	22.02.13	45,649	–	45,649	01.01.16	21.02.23
		111,298	–	111,298		
Graham Martin	13.03.08	16,021	–	16,021	01.01.11	12.03.18
	18.03.09	28,374	–	28,374	01.01.12	17.03.19
	17.03.10	15,941	–	15,941	01.01.13	16.03.20
	18.03.11	11,308	–	11,308	01.01.14	17.03.21
	21.03.12	25,819	–	25,819	01.01.15	20.03.22
	22.02.13	25,816	–	25,816	01.01.16	21.02.23
		123,279	–	123,279		
Angus McCoss	18.03.11	11,308	11,308	–	01.01.14	17.03.21
	21.03.12	25,819	–	25,819	01.01.15	20.03.22
	22.02.13	25,816	–	25,816	01.01.16	21.02.23
		62,943	11,308	51,635		
Paul McDade	13.03.08	14,686	–	14,686	01.01.11	12.03.18
	18.03.09	28,374	–	28,374	01.01.12	17.03.19
	17.03.10	15,941	–	15,941	01.01.13	16.03.20
	18.03.11	11,308	–	11,308	01.01.14	17.03.21
	21.03.12	25,819	–	25,819	01.01.15	20.03.22
	22.02.13	25,816	–	25,816	01.01.16	21.02.23
		121,944	–	122,126		
Ian Springett	17.03.10	16,927	–	16,927	01.01.13	16.03.20
	18.03.11	12,007	–	12,007	01.01.14	17.03.21
	21.03.12	27,415	–	27,415	01.01.15	20.03.22
	22.02.13	27,411	–	27,411	01.01.16	21.02.23
		83,760	11,308	86,760		

All outstanding awards under the DSBP were granted as, or have been converted into, nil exercise price options. To the extent that they vest, they are exercisable from three to 10 years from grant.

The aggregate gains made by Directors on the exercise of nil cost options under the DSBP during the year was £42,711.94 (gross) (1.76 million for 2013). On 12 February 2014, being the date that Angus McCoss exercised the options listed in the table, the middle market quoted price of a Tullow share was 792.5 pence.

2000 Executive Share Option Scheme (ESOS)

Details of share options granted to Executive Directors for nil consideration under the ESOS:

Director	Grant date	As at 01.01.14	Granted during year	Exercised during year	As at 31.12.14	Exercise price	Date from which exercisable	Last date exercisable
Graham Martin	20.09.04	190,000	–	190,000	–	131p	20.09.07	19.09.14

The performance condition attached to the above options granted under the 2000 Scheme required Tullow's TSR to have exceeded that of the median company of the FTSE 250 (excluding investment trusts) over three years from the date of grant. It was satisfied for all the options, which were therefore fully exercisable.

The gain made by Graham Martin on the exercise of share options under the ESOS during the year was £600,483.80 (gross). On 12 February 2014, being the date that Graham Martin exercised the options listed in the table, the middle market quoted price of a Tullow share was 792.5 pence.

Corporate Governance
REMUNERATION REPORT CONTINUED

Share price range

During 2014, the highest mid-market price of the Company's shares was 920p and the lowest was 351p. The year-end price was 414p.

Directors' interests in the share capital of the Company (Audited)

The interests of the Directors (all of which were beneficial), who held office at 31 December 2014, are set out in the table below:

	Legally Owned		TIP Awards		PSP Awards		DSBP Awards		SIP		Total	% of salary held under Shareholding Guidelines*
	31.12.14	31.12.13	Unvested	Vested	Unvested	Vested	Unvested	Vested	Restricted	Unrestricted	31.12.14	(400% of salary)
Aidan Heavey	6,401,511	6,401,511	102,992	–	600,000	0	91,303	19,995	0	0	7,215,801	3,633.49%
Graham Martin	2,030,392	19,15,312	58,246	–	350,000	192,604	51,635	71,644	1,434	6,778	2,762,733	2,385.84%
Angus McCoss	247,425	241,446	58,246	–	350,000	0	51,635	0	1,434	1,808	710,548	452.18%
Paul McDade	260,801	260,801	58,246	–	350,000	192,604	51,635	70,309	1,434	6,778	991,807	717.19%
Ian Springett	12,000	12,000	61,845	–	350,000	188,147	54,826	28,934	1,434	286	697,472	411.24%
Non-executive Directors												
Simon Thompson	20,604	14,360	–	–	–	–	–	–	–	–	20,604	–
Tutu Agyare	1,940	1,940	–	–	–	–	–	–	–	–	1,940	–
Mike Daly	3,175	3,175	–	–	–	–	–	–	–	–	3,175	–
Anne Drinkwater	7,000	7,000	–	–	–	–	–	–	–	–	7,000	–
Ann Grant	3,171	3,171	–	–	–	–	–	–	–	–	3,171	–
Steve Lucas	600	–	–	–	–	–	–	–	–	–	600	–
Jeremy Wilson	15,000	–	–	–	–	–	–	–	–	–	15,000	–

* Under the Company's Shareholding Guidelines, each Executive Director is required to build up their shareholdings in the Company's shares to at least 400% of their salary. Further details of the Shareholding Guidelines are set out on page 92.

There have been no changes in the interests of any Director between 1 January 2015 and the date of this report other than:

- (a) as a consequence of PSP awards made in 2012 lapsing as mentioned in the notes to the table 'Directors' remuneration' on page 97, and
- (b) as detailed in the table 'UK SIP shares awarded in 2014' on page 100.

OTHER STATUTORY INFORMATION

Results and dividends

The loss on ordinary activities after taxation of the Group for the year ended 31 December 2014 was \$1,639.9 million (2013: Profit \$216.1 million).

An interim dividend of Stg 4p (2013: Stg 4p) per ordinary share was paid on 3 October 2014. No final dividend is recommended by the Board (2013: Stg 8p).

Subsequent events

Since the balance sheet date Tullow has continued to make progress with its exploration, development and business growth strategies.

In January 2014, the drilling of the Ngamia-6 and Amosing-3 appraisal wells was completed. Ngamia-6 was drilled to a final depth of 2,480 metres encountering up to 135 metres of net oil pay. The Amosing-3 well in Block 10BB continued the successful appraisal of the Amosing oil field. The well successfully encountered over 107 metres of net oil pay in good quality reservoir sands. The well reached a final depth of 2,403 metres and has been suspended for use in future appraisal and development activities. Tullow also announced completion of the Epir-1 exploration well located in Block 10BB in the North Kerio Basin. Whilst not a discovery, the well encountered oil and wet gas shows over a 100 metre interval of non-reservoir quality rocks, demonstrating a working petroleum system in this lacustrine sub-basin.

Share capital

As at 10 February 2015, the Company had an allotted and fully paid up share capital of 910,661,631 each with an aggregate nominal value of £0.10.

Substantial shareholdings

As at 10 February 2015, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Rules and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

Shareholder	Number of shares	% of issued capital
Capital Group Companies	113,259,166	11.9%
Genesis Asset Managers, LLP	72,871,524	8.01%
Oppenheimer Funds Inc.	49,582,679	5.44%

Shareholders' rights

The rights and obligations of shareholders are set out in the Company's Articles of Association (which can be amended by special resolution). The rights and obligations attaching to the Company's shares are as follows:

- Dividend rights – holders of the Company's shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the Directors. The Directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution. Subject to shareholder approval, payment or satisfaction of a dividend may be made wholly or partly by distribution of specific assets;
- Voting rights – voting at any general meeting is by a show of hands unless a poll is duly demanded. On a show of hands every shareholder who is present in person at a general meeting (and every proxy or corporate representative appointed by a shareholder and present at a general meeting) has one vote regardless of the number of shares held by the shareholder (or represented by the proxy or corporate representative). If a proxy has been appointed by more than one shareholder and has been instructed by one or more of those shareholders to vote 'for' the resolution and by one or more of those shareholders to vote 'against' a particular resolution, the proxy shall have one vote for and one vote against that resolution. On a poll, every shareholder who is present in person has one vote for every share held by that shareholder and a proxy has one vote for every share in respect of which he has been appointed as proxy (the deadline for exercising voting rights by proxy is set out in the form of proxy). On a poll, a corporate representative may exercise all the powers of the company that has authorised him. A poll may be demanded by any of the following: (a) the Chairman of the meeting; (b) at least five shareholders entitled to vote and present in person or by proxy or represented by a duly authorised corporate representative at the meeting; (c) any shareholder or shareholders present in person or by proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to attend and vote at the meeting; or (d) any shareholder or shareholders present in person or by

proxy or represented by a duly authorised corporate representative and holding shares or being a representative in respect of a holder of shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sums paid up on all the shares conferring that right;

- Return of capital – in the event of the liquidation of the Company, after payment of all liabilities and deductions taking priority, the balance of assets available for distribution will be distributed among the holders of ordinary shares according to the amounts paid up on the shares held by them. A liquidator may, with the authority of a special resolution, divide among the shareholders the whole or any part of the Company's assets; or vest the Company's assets in whole or in part in trustees upon such trusts for the benefit of shareholders, but no shareholder is compelled to accept any property in respect of which there is a liability;
- Control rights under employee share schemes – the Company operates a number of employee share schemes. Under some of these arrangements, shares are held by trustees on behalf of employees. The employees are not entitled to exercise directly any voting or other control rights. The trustees will generally vote in accordance with employees' instructions and abstain where no instructions are received. Unallocated shares are generally voted at the discretion of the trustees; and
- Restrictions on holding securities – there are no restrictions under the Company's Articles of Association or under UK law that either restrict the rights of UK resident shareholders to hold shares or limit the rights of non-resident or foreign shareholders to hold or vote the Company's ordinary shares.

There are no UK foreign exchange control restrictions on the payment of dividends to US persons on the Company's ordinary shares.

Material agreements containing 'change of control' provisions

The following significant agreements will, in the event of a 'change of control' of the Company, be affected as follows:

- US\$3.235 billion (or up to US\$3.735 billion in the event that the Company exercises its option to increase the commitments by up to an additional US\$500 million and the lenders provide such additional commitments) senior secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, HSBC Bank plc, Standard Chartered Bank, Lloyds TSB Bank plc and Crédit Agricole Corporate and Investment Bank and the lenders specified therein pursuant to which each lender thereunder may cancel its commitments immediately and demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become due and payable within 15 business days and, in respect of each

letter of credit issued under the agreement, full cash cover will be required within 15 business days;

- US\$100 million secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, HSBC Bank plc, Standard Chartered Bank, Lloyds TSB Bank plc and Crédit Agricole Corporate and Investment Bank and the lenders specified therein pursuant to which each lender thereunder may cancel its commitments immediately and demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become due and payable within 15 business days;
- US\$165 million finance contract in respect of a senior secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company and International Finance Corporation pursuant to which International Finance Corporation may cancel its commitments immediately and demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become due and payable within 15 business days; and
- US\$750 million secured revolving credit facility agreement between, among others, the Company and certain subsidiaries of the Company, BNP Paribas, Crédit Agricole Corporate and Investment Bank and Standard Chartered Bank and the lenders specified therein pursuant to which each lender thereunder may cancel its commitments immediately and demand repayment of all outstanding amounts owed by the Company and certain subsidiaries of the Company to it under the agreement and any connected finance document, which amount will become due and payable within 15 business days.

Under the terms of each of the above agreements, a "change of control" occurs if any person, or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers), gains control of the Company.

- An indenture relating to US\$650 million of 6% Senior Notes due 2020 between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee. Pursuant to this Indenture the Company must make an offer to noteholders to repurchase all the notes at 101% of the aggregate principal amount of the notes, plus accrued and unpaid interest in the event that a change of control of the Company occurs. The repurchase offer must be made by the Company to all noteholders within 30 days following the 'change of control' and the repurchase must take place no earlier than 10 days and no later than 60 days from the date the repurchase offer is made. Each noteholder may take up the offer in respect of all or part of its notes.
- An indenture relating to US\$650 million of 6.25% Senior Notes due 2022 between, among others, the Company, certain subsidiaries of the Company and Deutsche Trustee Company Limited as the Trustee. Pursuant to this indenture, the Company must make an offer to noteholders to repurchase all the notes at 101% of the aggregate principal amount of the notes, plus accrued and unpaid interest in the event that a change of control of the Company occurs. The repurchase offer must be made by the Company to all noteholders within 30 days following the change of control and the repurchase must take place no earlier than 10 days and no later than 60 days from the date the repurchase offer is made. Each noteholder may take up the offer in respect of all or part of its notes.

Under the terms of each of the above indentures a change of control occurs, in general terms, when (i) a disposal is made of all or substantially all the properties or assets of the Company and all its restricted subsidiaries (other than through a merger or consolidation) in one or a series of related transactions; (ii) a plan is adopted relating to the liquidation or dissolution of the Company; or (iii) a person becomes the beneficial owner, directly or indirectly, of shares of the Company which grant that person more than 50% of the voting rights of the Company.

Directors

The biographical details of the Directors of the Company at the date of this Report are given on pages 44 and 45.

Details of Directors' service agreements and letters of appointment can be found on page 94. Details of the Directors' interests in the ordinary shares of the Company and in the Group's long-term incentive and other share option schemes are set out on page 100 and pages 102 to 104 in the Directors' remuneration report.

Directors' indemnities and insurance cover

As at the date of this Report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by the Companies Act 2006, against claims from third parties in respect of certain liabilities arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries. The Directors are also indemnified against the cost of defending a criminal prosecution or a claim by the Company, its subsidiaries or a regulator provided that where the defence is unsuccessful the Director must repay those defence costs. The Company also maintains Directors' and Officers' Liability insurance cover, the level of which is reviewed annually.

Conflicts of interest

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Group. The Board requires Directors to declare all appointments and other situations that could result in a possible conflict of interest and has adopted appropriate procedures to manage and, if appropriate, approve any such conflicts. The Board is satisfied that there is no compromise to the independence of those Directors who have appointments on the boards of, or relationships with, companies outside the Group.

Powers of Directors

The general powers of the Directors are set out in Article 104 of the Articles of Association of the Company. It provides that the business of the Company shall be managed by the Board which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. This power is subject to any limitations imposed on the Company by applicable legislation. It is also limited by the provisions of the Articles of Association of the Company and any directions given by special resolution of the shareholders of the Company which are applicable on the date that any power is exercised.

Please note the following specific provisions relevant to the exercise of power by the Directors:

- Pre-emptive rights and new issues of shares – the holders of ordinary shares have no pre-emptive rights under the Articles of Association of the Company. However, the ability of the Directors to cause the Company to issue shares, securities convertible into shares or rights to shares, otherwise than pursuant to an employee share scheme, is restricted under the Companies Act 2006 which provides that the directors of a company are, with certain exceptions, unable to allot any equity securities without express authorisation, which may be contained in a company's articles of association or given by its shareholders in general meeting, but which in either event cannot last for more than five years. Under the Companies Act 2006, the Company may also not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer on a pre-emptive basis to existing shareholders, unless this requirement is waived by a special resolution of the shareholders. The Company received authority at the last Annual General Meeting to allot shares for cash on a non pre-emptive basis up to a maximum nominal amount of £4,550,860. The authority lasts until the earlier of the Annual General Meeting of the Company in 2015 or 30 June 2015.
- Repurchase of shares – subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares that have been bought back may be held as treasury shares or must be cancelled immediately upon completion of the purchase. The Company received authority at the last Annual General Meeting to purchase up to 91,017,210 Ordinary Shares. The authority lasts until the earlier of the Annual General Meeting of the Company in 2015 or 30 June 2015.
- Borrowing powers – the net external borrowings of the Group outstanding at any time shall not exceed an amount equal to four times the aggregate of the Group's adjusted capital and reserves calculated in the manner prescribed in Article 105 of the Company's Articles of Association, unless sanctioned by an ordinary resolution of the Company's shareholders.

Appointment and replacement of Directors

The Company shall appoint (disregarding Alternate Directors) no fewer than two and no more than 15 Directors. The appointment and replacement of Directors may be made as follows:

- The shareholders may by ordinary resolution elect any person who is willing to act to be a Director;
- The Board may elect any person who is willing to act to be a Director. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for election;
- Each Director is required in terms of the Articles of Association to retire from office at the third Annual General Meeting after the Annual General Meeting at which he or she was last elected or re-elected although he or she may be re-elected by ordinary resolution if eligible and willing. However, to comply with the principles of best corporate governance, the Board intends that each Director will submit him or herself for re-election on an annual basis;
- The Company may by special resolution remove any Director before the expiration of his or her period of office or may, by ordinary resolution, remove a Director where special notice has been given and the necessary statutory procedures are complied with; and
- There are a number of other grounds on which a Director's office may cease, namely voluntary resignation, where all the other Directors (being at least three in number) request his or her resignation, where he or she suffers physical or mental incapacity, where he or she is absent from meetings of the Board without permission of the Board for six consecutive months, becomes bankrupt or compounds with his or her creditors or is prohibited by law from being a Director.

Encouraging diversity in our workforce

Tullow is committed to eliminating discrimination and encouraging diversity amongst its workforce. Decisions related to recruitment selection, development or promotion are based upon merit and ability to adequately meet the requirements of the job, and are not influenced by factors such as gender, marital status, race, ethnic origin, colour, nationality, religion, sexual orientation, age, or disability.

We want our workforce to be truly representative of all sections of society and for all our employees to feel respected and able to reach their potential. Our commitment to these aims and detailed approach are set out in Tullow's Code of Business Conduct and Equal Opportunities Policy.

We aim to provide an optimal working environment to suit the needs of all employees, including those of employees with disabilities. For employees who become disabled during their time with the Group, Tullow will provide support to help them remain safely in continuous employment.

Employee involvement and engagement

We use a range of methods to inform and consult with employees about significant business issues and our performance. These include webcasts, the Group's intranet, town hall meetings and Tullow World, our in-house magazine.

We have an employee share plan for all permanent employees which gives employees a direct interest in the business's success.

Political donations

In line with Group policy, no donations were made for political purposes.

Corporate responsibility

The Group works to achieve high standards of environmental, health and safety management. Our performance in these areas, can be found on pages 38 to 39 and 48 to 49 of this Report. In addition, every year, Tullow publishes a separate Corporate Responsibility Report which is available on the Group website: www.tulloil.com.

Auditors and disclosure of relevant audit information

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware and each Director has taken all steps that ought to have been taken to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution to re-appoint Deloitte LLP as the Company's auditors will be proposed at the AGM. More information can be found in the Audit Committee report on page 79.

Annual General Meeting

The Notice of Annual General Meeting accompanies this Annual Report and sets out the resolutions to be proposed at the forthcoming AGM. The meeting will be held on 30 April, 2015, at Haberdashers' Hall, 18 West Smithfield, London, EC1A 9HQ from 12 noon.

This Corporate Governance Report (which includes the Directors' remuneration report) and the information referred to herein has been approved by the Board and signed on its behalf by:



Graham Martin

Executive Director and Company Secretary

10 February 2015

Registered office:
9 Chiswick Park
566 Chiswick High Road
London
W4 5XT

Company registered in England and Wales No. 3919249


CONCENTRATING ON **EFFICIENCY** & PRUDENT FINANCIAL MANAGEMENT

FINANCIAL STATEMENTS

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A portrait of Franciska Samnick, a woman with dark, curly hair, wearing glasses and a patterned scarf. She is smiling slightly and looking towards the camera. The background is blurred, showing greenery and a building.

Effective management of the social impacts
of our operations is critical to the growth
and sustainability of our business.

FRANCISKA SAMNICK
SOUTH AMERICA AND NORTH ATLANTIC,
SOCIAL PERFORMANCE ANALYST

Financial Statements
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Company

In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Group

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

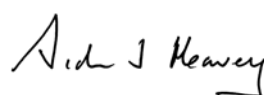
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, 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

10 February 2015



Ian Springett
Chief Financial Officer

10 February 2015

Opinion on Financial Statements of Tullow Oil plc

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the parent company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Financial Statements comprise the Group Income Statement, the Group Statement of Comprehensive Income and Expense, the Group and Company Balance Sheets, the Group Statement of Changes in Equity, the Group Cash Flow Statement, the Group Accounting Policies with related notes 1 to 32 and the Company Accounting Policies with related notes 1 to 11. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRS as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company Financial Statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement on page 78 that the Group is a going concern. We confirm that

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risks

Carrying Value of Exploration and Evaluation ("E&E") assets

The carrying value of E&E assets at 31 December 2014 is \$3,660.8 million and the Group has written off E&E assets totalling \$1,662.4 million in the year. See note 12 for further details.

The assessment of the carrying value requires management to exercise judgement around complex areas, as described in the Group's critical accounting judgements on page 126. These areas of judgement include the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence renewal or extension and the success of drilling and geological analysis.

How the scope of our audit responded to the risk

We evaluated management's assessment of E&E assets carried forward with reference to the criteria of IFRS 6 and the Group's successful efforts accounting policy (see page 124). In 2014, the Group has reconsidered their exploration strategy and locations for future exploration focus in the context of a lower oil price environment. Our evaluation has paid particular attention to these circumstances.

Our procedures included understanding the Group's ongoing E&E activity, for which we participated in meetings with operational and finance staff at all key locations. We also gathered evidence including confirmations of budget allocation, on-going appraisal activity and the licence phase to assess the value of E&E assets carried forward.

Where an asset has been impaired we have challenged management on the events that led to the impairment, including reference to future budgeted expenditure. Where an asset has demonstrated indicators of impairment but has been retained on the balance sheet, we have gathered evidence in respect of the continuance or otherwise of appraisal activity, allocation of budget and any conclusion on commerciality.

Carrying value of PP&E assets

The Group has recognised PP&E assets of \$4,887.0 million at 31 December 2014 and has recorded impairments against PP&E of \$595.9 million in 2014. See note 13 for further details.

As described in the Group's key sources of estimation uncertainty on page 127, the assessment of the carrying value of PP&E assets requires management to exercise judgement in identifying indicators of impairment, such as a decrease in oil price or a downgrade of proved and probable reserves. When such indicators are identified, management must exercise further judgement in making an estimate of the recoverable amount of the asset against which to compare the carrying value.

We examined management's assessment of impairment indicators, which identified the recent fall in oil prices and an increase in decommissioning cost estimates as indicators of impairment for all producing assets.

Our audit work assessed the reasonableness of management's estimations of the recoverable amount of each asset. Specifically our work included, but was not limited to, the following procedures:

- benchmarking and analysis of oil and gas price assumptions against forward curves, peer information and other market data;
- verification of estimated future costs by agreement to approved budgets;
- agreement of hydrocarbon production profiles and proved and probable reserves to third party reserve reports; and
- recalculation and benchmarking of discount rates applied with involvement of Deloitte valuation specialists.

Recoverability of contingent consideration

Management have fully impaired the receivable for contingent consideration arising from the 2012 farm down of interests in Uganda, resulting in the recognition of a loss on disposal of \$370.1 million in 2014 (note 10).

The Group's key sources of estimation uncertainty on page 128 explain that the quantum of contingent consideration receivable is dependent upon the date at which certain project approvals will be obtained.

There is significant uncertainty regarding which events will qualify as project approvals under the terms of the sale agreement and when such events will occur. Management is required to exercise significant judgement in estimating these items as they have a material impact on the Financial Statements.

In responding to this risk our key audit procedures included:

- review of the relevant sales agreements and correspondence between the Group and the purchasers in 2014 to evaluate the reasonableness of management's judgement regarding the trigger for receipt of the contingent consideration;
- challenge of management's estimate of project approval dates through review of JV partner approved operational reports, minutes and budgets relating to the relevant projects; and
- performance of external research to challenge and corroborate management's judgements regarding the timing of the project.

Provision for tax claims including Uganda capital gains tax claim

The nature, rate and type of taxation which is applicable to hydrocarbon exploration and production activities varies widely by jurisdiction and the Group is therefore subject to various claims in the course of its business.

Significant judgement is required to estimate the appropriate level of provision for the tax claims against the Group as the validity and ultimate outcome of such claims can be uncertain.

At 31 December 2014, the Group has disclosed in their key sources of estimation uncertainty on page 127 that in Uganda they are subject to a claim for capital gains tax of \$407 million against which \$142 million was paid in 2012 as required by law in order to appeal. A contingent liability of \$265.3 million has been disclosed in note 29 on page 150.

Our audit response to this risk was to evaluate the provisions and potential exposures together with tax specialists within the audit team from relevant jurisdictions. We also obtained correspondence with the relevant tax authorities and used our knowledge of the specific tax regimes to challenge the Group's assumptions and judgements regarding the level of provisions made.

Specifically for the Uganda capital gains tax claim, we obtained and reviewed the court judgements and correspondence and external legal opinion that were used by management in making their assessment of the ultimate outcome of the ongoing legal process. We also considered the appropriateness of the accounting treatment described in the Group's key sources of estimation uncertainty note on page 127 and the calculation of the contingent liability disclosed.

Finally, we have evaluated the presentation and disclosure of the above transactions within the Group Financial Statements.

Decommissioning provisions

The Group has recognised decommissioning provisions of \$1,192.9 million at 31 December 2014 which are disclosed in note 24.

The recognition and measurement of decommissioning provisions involves estimation of the quantum of expenditure on items such as drilling rigs, offshore support vessels and experienced personnel in combination with estimates and assumptions on the timing, legal requirements, technical approach and scope, all of which are uncertain and require significant judgement to be exercised.

The nature of decommissioning activity is such that these estimates have a material impact on the Financial Statements and the Group has noted decommissioning costs as a key source of estimation uncertainty on page 127.

Our audit approach to this risk was to perform the following procedures:

- we obtained and reviewed evidence relating to the cost estimates used by management, which principally comprised a third party engineering report;
- we assessed the competence and independence of management's internal and external experts and discussed the key assumptions directly with them both;
- we performed procedures to verify the appropriateness of the source data used in the estimates, for example the number of wells to be decommissioned at each field;
- we challenged the reasonableness of the key cost elements such as rig rates by benchmarking them to external data;
- we confirmed that the estimated dates of decommissioning were consistent with the latest estimates of field lives;
- we confirmed the reasonableness of the discount rate applied to the calculations including benchmarking it against available market data; and
- we verified the mathematical accuracy of management's calculations.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 81.

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be \$80 million (2013: \$100 million), which is below 2% of equity and is below 5% of pre-tax loss (2013: below 2% equity and below 8.5% pre-tax profit). The decrease in materiality in 2014 reflects the decrease in the Group's revenues and profits as a consequence of the volatility in the oil price environment and the decrease in the Group's net assets following the impairments recorded in the year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$1.6 million (2013: \$2 million), as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope for the current and prior year included a full audit of all eight reporting unit locations, based on our assessment of the risks of material misstatement and of the materiality of the Group's business operations at those locations. These eight reporting units account for 100% of the Group's total revenue, profit before tax and net assets. The materialities used for these components ranged from \$20 million to \$35 million.

The Group team audits the UK, Kenya and Uganda reporting units directly. Their involvement in the work performed by component auditors varies by location and includes, at a minimum, a review of the reporting deliverables provided by the component audit teams.

In addition, the Senior Statutory Auditor or senior members of his Group audit team, visited the following reporting locations in the year: Gabon, Ghana, Kenya, South Africa, Norway and the UK, to review the audit work performed by the component auditors.

Financial Statements
INDEPENDENT AUDITOR'S REPORT CONTINUED
 TO THE MEMBERS OF TULLOW OIL PLC

**Opinion on other matters prescribed
by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
 - the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.
-

**Matters on which we are required
to report by exception**

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

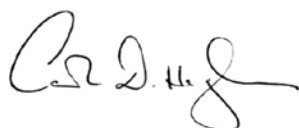
Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Carl D Hughes MA FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

10 February 2015

Deloitte LLP

Chartered Accountants
2 New Street Square
London
EC4A 3BZ

Financial Statements
GROUP INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$m	2013* \$m
Continuing activities			
Sales revenue	2	2,212.9	2,646.9
Cost of sales	4	(1,116.7)	(1,153.8)
Gross profit		1,096.2	1,493.1
Administrative expenses	4	(192.4)	(218.5)
(Loss)/profit on disposal	10	(482.4)	29.5
Goodwill impairment	11	(132.8)	–
Exploration costs written off	12	(1,657.3)	(870.6)
Impairment of property, plant and equipment	13	(595.9)	(52.7)
Operating (loss)/profit	4	(1,964.6)	380.8
Gain/(loss) on hedging instruments	22	50.8	(19.7)
Finance revenue	2	9.6	43.7
Finance costs	5	(143.2)	(91.6)
(Loss)/profit from continuing activities before tax		(2,047.4)	313.2
Income tax credit/(expense)	6	407.5	(97.1)
(Loss)/profit for the year from continuing activities		(1,639.9)	216.1
Attributable to:			
Owners of the Company		(1,555.7)	169.0
Non-controlling interest	27	(84.2)	47.1
		(1,639.9)	216.1
Earnings per ordinary share from continuing activities	8	¢	¢
Basic		(170.9)	18.6
Diluted		(168.5)	18.5

* The 2013 figures have been re-presented to align disclosure of impairments of property, plant and equipment on the face of the income statement with 2014.

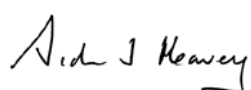
GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE
YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$m	2013 \$m
(Loss)/profit for the year		(1,639.9)	216.1
Items that may be reclassified to the income statement in subsequent periods			
Cash flow hedges			
Gains arising in the year	22	485.7	3.4
Reclassification adjustments for items included in profit on realisation	22	4.6	5.3
		490.3	8.7
Exchange differences on translation of foreign operations		(50.6)	12.7
Other comprehensive income		439.7	21.4
Tax relating to components of other comprehensive income	22	(91.0)	0.1
Net other comprehensive income for the year		348.7	21.5
Total comprehensive (expense)/income for the year		(1,291.2)	237.6
Attributable to:			
Owners of the Company		(1,207.0)	190.5
Non-controlling interest		(84.2)	47.1
		(1,291.2)	237.6

GROUP BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	2014 \$m	2013 \$m
ASSETS			
Non-current assets			
Goodwill	11	217.7	350.5
Intangible exploration and evaluation assets	12	3,660.8	4,148.3
Property, plant and equipment	13	4,887.0	4,862.9
Investments	14	1.0	1.0
Other non-current assets	15	119.7	68.7
Derivative financial instruments	22	193.9	6.8
Deferred tax assets	25	255.0	1.1
		9,335.1	9,439.3
Current assets			
Inventories	16	139.5	193.9
Trade receivables	17	87.8	308.7
Other current assets	15	902.3	944.4
Current tax assets	6	221.6	226.2
Derivative financial instruments	22	280.8	–
Cash and cash equivalents	18	319.0	352.9
Assets classified as held for sale	19	135.6	43.2
		2,086.6	2,069.3
Total assets		11,421.7	11,508.6
LIABILITIES			
Current liabilities			
Trade and other payables	20	(1,074.9)	(1,041.1)
Borrowings	21	(131.5)	(159.4)
Current tax liabilities		(115.9)	(165.5)
Derivative financial instruments	22	(3.3)	(48.1)
Liabilities directly associated with assets classified as held for sale	19	(13.6)	(18.2)
		(1,339.2)	(1,432.3)
Non-current liabilities			
Trade and other payables	20	(85.1)	(29.4)
Borrowings	21	(3,209.1)	(1,995.0)
Derivative financial instruments	22	–	(28.3)
Provisions	24	(1,260.4)	(989.2)
Deferred tax liabilities	25	(1,507.6)	(1,588.0)
		(6,062.2)	(4,629.9)
Total liabilities		(7,401.4)	(6,062.2)
Net assets		4,020.3	5,446.4
EQUITY			
Called-up share capital	26	147.0	146.9
Share premium	26	606.4	603.2
Foreign currency translation reserve		(205.7)	(155.1)
Hedge reserve	22	401.6	2.3
Other reserves		740.9	740.9
Retained earnings		2,305.8	3,984.7
Equity attributable to equity holders of the Company		3,996.0	5,322.9
Non-controlling interest	27	24.3	123.5
Total equity		4,020.3	5,446.4

Approved by the Board and authorised for issue on 10 February 2015.



Aidan Heavey
Chief Executive Officer



Ian Springett
Chief Financial Officer

Financial Statements
GROUP STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2014

	Notes	Share capital \$m	Share premium \$m	Foreign currency translation reserve ¹ \$m	Hedge reserve ² \$m	Other reserves ³ \$m	Retained earnings \$m	Total \$m	Non-controlling interest ⁴ \$m	Total equity \$m
At 1 January 2013		146.6	584.8	(167.8)	(6.5)	740.9	3,931.2	5,229.2	92.4	5,321.6
Profit for the year		–	–	–	–	–	169.0	169.0	47.1	216.1
Hedges, net of tax	22	–	–	–	8.8	–	–	8.8	–	8.8
Currency translation adjustments		–	–	12.7	–	–	–	12.7	–	12.7
Issue of employee share options	26	0.3	18.4	–	–	–	–	18.7	–	18.7
Vesting of PSP shares		–	–	–	–	–	(12.7)	(12.7)	–	(12.7)
Share-based payment charges	28	–	–	–	–	–	64.6	64.6	–	64.6
Dividends paid	7	–	–	–	–	–	(167.4)	(167.4)	–	(167.4)
Distribution to non-controlling interests	27	–	–	–	–	–	–	–	(16.0)	(16.0)
At 1 January 2014		146.9	603.2	(155.1)	2.3	740.9	3,984.7	5,322.9	123.5	5,446.4
Loss for the year		–	–	–	–	–	(1,555.7)	(1,555.7)	(84.2)	(1,639.9)
Hedges, net of tax	22	–	–	–	399.3	–	–	399.3	–	399.3
Currency translation adjustments		–	–	(50.6)	–	–	–	(50.6)	–	(50.6)
Issue of employee share options	26	0.1	3.2	–	–	–	–	3.3	–	3.3
Vesting of PSP shares		–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Share-based payment charges	28	–	–	–	–	–	59.5	59.5	–	59.5
Dividends paid	7	–	–	–	–	–	(182.3)	(182.3)	–	(182.3)
Distribution to non-controlling interests	27	–	–	–	–	–	–	–	(15.0)	(15.0)
At 31 December 2014		147.0	606.4	(205.7)	401.6	740.9	2,305.8	3,996.0	24.3	4,020.3

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. The movement during the year is primarily driven by the strengthening of USD against NOK and EUR.

2. The hedge reserve represents gains and losses on derivatives classified as effective cash flow hedges.

3. Other reserves include the merger reserve and the treasury shares reserve which represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy awards held under the Group's share incentive plans (note 28).

4. Non-controlling interest is described further in note 27.

GROUP CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$m	2013 \$m
Cash flows from operating activities			
(Loss)/profit before taxation		(2,047.4)	313.2
Adjustments for:			
Depletion, depreciation and amortisation	4	621.8	591.9
Loss/(profit) on disposal	10	482.4	(29.5)
Goodwill impairment	11	132.8	–
Exploration costs written off	12	1,657.3	870.6
Impairment of property, plant and equipment	13	595.9	52.7
Decommissioning expenditure	24	(20.4)	(6.7)
Share-based payment charge	28	39.5	41.3
(Gain)/loss on hedging instruments	22	(50.8)	19.7
Finance revenue	2	(9.6)	(43.7)
Finance costs	5	143.2	91.6
Operating cash flow before working capital movements		1,544.7	1,901.1
Decrease in trade and other receivables		29.9	75.8
Decrease/(increase) in inventories		61.0	(28.9)
(Decrease)/increase in trade payables		(119.6)	49.6
Cash generated from operating activities		1,516.0	1,997.6
Income taxes paid		(34.2)	(252.3)
Net cash from operating activities		1,481.8	1,745.3
Cash flows from investing activities			
Proceeds from disposals	10	21.3	80.3
Purchase of subsidiaries	9	–	(392.8)
Purchase of intangible exploration and evaluation assets		(1,255.1)	(1,268.5)
Purchase of property, plant and equipment		(1,098.3)	(740.8)
Finance revenue		4.6	34.3
Net cash used in investing activities		(2,327.5)	(2,287.5)
Cash flows from financing activities			
Net proceeds from issue of share capital		3.3	6.0
Debt arrangement fees		(22.2)	(13.5)
Repayment of bank loans		(1,202.1)	(1,236.5)
Drawdown of bank loans		1,749.8	1,447.7
Issue of senior loan notes	21	650.0	650.0
Repayment of obligations under finance leases		(1.1)	(3.3)
Finance costs		(172.9)	(103.5)
Dividends paid	7	(182.3)	(167.4)
Distribution to non-controlling interests	27	(15.0)	(16.0)
Net cash generated by financing activities		807.5	563.5
Net (decrease)/increase in cash and cash equivalents		(38.2)	21.3
Cash and cash equivalents at beginning of year	18	352.9	330.2
Cash transferred from held for sale		16.2	0.6
Foreign exchange (loss)/gain		(11.9)	0.8
Cash and cash equivalents at end of year	18	319.0	352.9

(a) General information

Tullow Oil plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 109.

(b) Adoption of new and revised standards

Standards not affecting the reported results or the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these Financial Statements but may impact the accounting for future transactions and arrangements.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (Revised)

IFRS 10 has revised the definition of control. Control exists when an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use power over the investee to affect the amount of returns. IFRS 10 also provides a number of clarifications on applying this new definition of control. These include: an investor may have control when it has less than a majority of voting rights; exposure to risk and reward is an indicator of control but does not constitute control itself; and consolidation is required until control ceases even if control is temporary. The revised IAS 27 is limited to the accounting of investments in subsidiaries, joint ventures and associates in separate Financial Statements.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures (Revised)

IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when the relevant activities require the unanimous consent of the parties sharing control. IFRS 11 also amends the accounting for joint arrangements by moving from three (under IAS 31) to two categories. The categories are a joint operation which is an arrangement whereby the parties have rights to the assets and obligations to the liabilities relating to that arrangement; and a joint venture which is an arrangement whereby the parties have rights to the net assets of the arrangement. For a joint operation the relative share of jointly controlled assets, liabilities, revenues and expenses are recognised whereas a joint venture is equity accounted. IAS 28 has been amended to include application of the equity method for investments in joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosure relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The quantitative and qualitative disclosure requirements of IFRS 12 include: summarised financial information for each subsidiary that has non-controlling interests that are material to the reporting entity, significant judgements used by management in determining control, joint control and significant influence; summarised financial information for each individually material joint venture and associate; and the nature of the risks associated with an entity's interests in unconsolidated structured entities and changes to those risks.

IFRS 13 Fair Value Measurement (Amendment)

The amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment to IAS 32 clarifies that rights of set-off must be legally enforceable in the normal course of business but also enforceable in the event of default and bankruptcy or insolvency of all of the counter parties to the contract.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

The amendment clarifies the disclosure requirements in respect of the fair value less costs of disposal.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

The amendment provides an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IAS 16 & IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 19	Defined Benefit Plans: Employee Contributions (Amendment)
IAS 27	Equity Method in Separate Financial Statements (Amendment)

The adoption of IFRS 9 Financial Instruments which the Group plans to adopt for the year commencing 1 January 2018 will impact both the measurement and disclosures of financial instruments.

The Directors do not expect that the adoption of the other Standards listed above will have a material impact on the Financial Statements of the Group in future periods.

(c) Changes in accounting policy

Other than the changes to the Standards noted above, the Group's accounting policies are consistent with the prior year.

(d) Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Financial Statements have also been prepared in accordance with IFRS as adopted by

the European Union and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulation.

The Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value and non-current assets held for sale which are carried at fair value less cost to sell. The Financial Statements are presented in US dollars and all values are rounded to the nearest \$0.1 million, except where otherwise stated. The Financial Statements have been prepared on a going concern basis (see note 22 for further details).

The principal accounting policies adopted by the Group are set out below.

(e) Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power over an investee entity, is exposed, or has rights, to variable return from its involvement with the investee and has the ability to use its power to affect its returns.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The Group does not have any material non-controlling interests.

The results of subsidiaries acquired or disposed of during the year are included in the Group income statement from the transaction date of acquisition, being the date on which the Group gains control and will continue to be included until the date that control ceases.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed and included in administration expenses. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities

recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Joint arrangements

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. In addition, where Tullow acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

(f) Non-current assets held for sale

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(g) Revenue

Sales revenue represents the sales value, net of VAT, of the Group's share of liftings in the year together with tariff income. Revenue is recognised when goods are delivered and title has passed.

Revenues received under take-or-pay sales contracts in respect of undelivered volumes are accounted for as deferred income.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(h) Over/underlift

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is underlift or overlift. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

In respect of redeterminations, any adjustments to the Group's net entitlement of future production are accounted for prospectively in the period in which the make-up oil is produced. Where the make-up period extends beyond the expected life of a field an accrual is recognised for the expected shortfall.

(i) Inventory

Inventories, other than oil product, are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Oil product is stated at net realisable value and changes in net realisable value are recognised in the income statement.

(j) Foreign currencies

The US dollar is the presentation currency of the Group. For the purpose of presenting consolidated Financial Statements, the assets and liabilities of the Group's non-US dollar-denominated functional entities are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Currency translation adjustments arising on the restatement of opening net assets of non-US dollar subsidiaries, together with differences between the subsidiaries' results translated at average rates versus closing rates, are recognised in the statement of comprehensive income and expense and transferred to the foreign currency translation reserve. All resulting exchange differences are classified as equity until disposal of the subsidiary. On disposal, the cumulative amounts of the exchange differences are recognised as income or expense.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into US dollars at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the income statement. However, exchange gains and losses arising on 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, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment. In addition, exchange gains and losses arising on long-term foreign currency borrowings which are a hedge against the Group's overseas investments are dealt with in reserves.

(k) Goodwill

The Group allocates goodwill to cash-generating units (CGUs) or groups of CGUs that represent the assets acquired as part of the business combination.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount, using the 'Fair Value Less Cost To Sell' method, of each CGU (or group of CGUs) to which goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(l) Exploration, evaluation and production assets

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are

initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

(m) Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

(n) Depletion and amortisation – discovery fields

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields which are reliant on common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash-generating unit for impairment purposes.

Any impairment identified is charged to the income statement as additional depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

(o) Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are

dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

(p) Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than production assets is provided at rates calculated to write off the cost less the estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and five years.

(q) Finance costs and debt

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Finance costs of debt are allocated to periods over the term of the related debt at a constant rate on the carrying amount. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

(r) Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issues of share capital.

(s) Taxation

Current and deferred tax, including UK corporation tax and overseas corporation tax, are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred corporation tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying temporary differences can be deducted. Deferred tax is measured on a non-discounted basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

Petroleum Revenue Tax (PRT) is treated as an income tax and deferred PRT is accounted for under the temporary difference method. Current UK PRT is charged as a tax expense on chargeable field profits included in the income statement and is deductible for UK corporation tax.

In order to account for uncertain tax positions management has formed an accounting policy, in accordance with IAS 8, whereby the ultimate outcome of legal proceedings is viewed as a single unit of account. The results of separate hearings in relation to the same

matter, such as local tribunals and international arbitration, are not viewed separately and only the final outcome is assessed by management to determine the best estimate of any potential outcome. If management viewed the results of individual hearings separately an income statement charge could arise due to the differing recognition criteria of assets and liabilities.

(t) Pensions

Contributions to the Group's defined contribution pension schemes are charged to operating profit on an accruals basis.

(u) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates, interest rates and movements in oil and gas prices.

Derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecast transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the derivative and the hedged item at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement.

For cash flow hedges, the portion of the gains and losses on the hedging instrument that is determined to be an effective hedge is taken to other comprehensive income and the ineffective portion, as well as any change in time value, is recognised in the income statement. The gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement. A similar treatment applies to foreign currency loans which are hedges of the Group's net investment in the net assets of a foreign operation.

Gains or losses on derivatives that do not qualify for hedge accounting treatment (either from inception or during the life of the instrument) are taken directly to the income statement in the period.

(v) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and are charged to the income statement on a straight-line basis over the term of the lease.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

(w) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. The Group has share-based awards that are equity settled and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary, this model was supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk free rate of interest; and patterns of exercise of the plan participants.

For cash settled awards, a liability is recognised for the goods or service acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in the income statement.

(x) Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL); 'held-to-maturity' investments; 'available-for-sale' (AFS) financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(z) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost

using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(aa) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

(ab) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

(ac) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(ad) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(ae) Critical accounting judgements

The Group assess critical accounting judgements annually. The following are the critical judgements, apart from those involving estimations (which are dealt with in policy (af)), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

- Carrying value of intangible exploration and evaluation assets (note 12);

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement.

The key areas in which management has applied judgement are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; and the success of a well result or geological or geophysical survey.

(af) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Carrying value of property, plant and equipment (note 13);

Management performs impairment tests on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets and performs valuations of acquired property, plant and equipment in conjunction with IFRS 3 Business Combinations. The calculation of the recoverable amount requires estimation of future cash flows within complex impairment models.

Key assumptions and estimates in the impairment models relate to: commodity prices that are based on forward curves for three years and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, commercial reserves and the related cost profiles.

- Commercial reserves estimates (note 13);

Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques. The estimate is reviewed at least twice annually and is regularly reviewed by independent consultants.

Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to host governments under the terms of the Production Sharing Contracts. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

- Presumption of going concern (note 22);

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. In the currently low commodity price environment the Group has taken appropriate action to reduce its cost base and had \$2.4 billion of debt liquidity headroom at the end of 2014. The Group's forecast, taking into account reasonably possible changes and risks as described above, show that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2014 Annual Report and Accounts.

Notwithstanding our forecasts of sufficient liquidity headroom through to mid-2016 when first oil from TEN is expected, there remains a risk, given the volatility of the oil price environment, that the Group could become technically non-compliant with one of its financial covenant

ratios in the first half of 2016. To mitigate this risk, we will continue to monitor our cash flow projections and, if necessary, take appropriate action with the support of our long-term banking relationships well in advance of this time.

- Decommissioning costs (note 24);

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore significant estimates and assumptions are made in determining the provision for decommissioning.

The estimated decommissioning costs are reviewed annually by an external expert and the results of this review are then used for the purposes of the Financial Statements. Provision for environmental clean-up and remediation costs is based on current legal and contractual requirements, technology and price levels.

- Recoverability of deferred tax assets (note 25);

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the value of the deferred tax asset, based upon the timing and level of future taxable profits.

- Capital gains tax due on Uganda farm-down (note 29);

In 2012 the Uganda Revenue Authority (URA) issued an assessment for \$473 million in respect of capital gains tax on the farm-down of Ugandan interests to Total and CNOOC. At completion, \$142 million was paid to the URA, being 30% of the tax assessed as legally required for an appeal. The assessment denies relief for costs incurred by the Group in the normal course of developing the assets, and excludes certain contractual and statutory reliefs from capital gains tax that the Group maintains are properly allowable. The dispute has been heard before the Ugandan Tax Appeals Tribunal (TAT) which allowed certain claims but ruled against Tullow on the key issue of the express tax exemption contained in the Production Sharing Agreement for Exploration Area 2 (EA2 PSA).

The TAT has calculated Tullow's CGT liability for the farm-downs as \$407 million, or \$265 million net of the \$142 million already paid. Tullow has subsequently appealed this judgment to the Uganda High Court, stayed enforcement of the judgment pending the result of the appeal by issuing a bank guarantee, and is continuing with its claim through International Arbitration insofar as it relates to the EA2 PSA contractual tax exemption. It is management's intention to continue the full legal process until award is made in the Group's favour.

The TAT judgment required Tullow to pay \$265 million. It is, however, probable, based on external legal advice, that the International Arbitration will award in the Group's favour. The Ugandan Tax Tribunal and International Arbitration have been viewed as a single unit of account in line with the Group's accounting policy. As the most probable outcome of the full legal process is that no liability will arise, the \$265 million has not been recorded as a liability in the 2014 Financial Statements. If a payment is required in respect of the ruling of the appeal, a receivable relating to the

expected reimbursement from International Arbitration will be recorded. The possible risk of the Group being unsuccessful at both the Ugandan High Court and International Arbitration has been disclosed as a contingent liability (note 29). Management has applied judgement in determining an appropriate accounting policy for the unit of account of uncertain tax positions in line with provisions of similar standard setting bodies. They have also estimated the most probable outcome of legal proceedings in relation to Ugandan CGT based on the advice from external legal counsel.

- Other tax provisions; and

The Group is subject to various claims which arise in the ordinary course of its business, including tax claims from tax authorities in a number of the jurisdictions in which the Group operates. In order to assess whether tax claims should be provided for in the Financial Statements management has assessed all such claims in the context of the tax laws of the countries in which it operates. Management has applied judgement in assessing the likely outcome of the tax claims and has estimated the financial impact based on external tax and legal advice and prior experience of such claims.

The Directors believe that the Group has recorded adequate provisions as of 31 December 2014 and 2013 for all such matters.

- Uganda contingent consideration (note 15).

On completion of the Ugandan farm down in 2012, Tullow recognised \$341.3 million of discounted contingent consideration due from Total and CNOOC as a non-current receivable. The amount of contingent consideration recoverable is dependent on the timing of the receipt of certain project approvals. Delays in receipt of the project approvals will result in a decrease on a straight-line basis of the amount recoverable.

During 2014 management has reassessed the likely date of receipt of the project approvals and has revised their best estimate that the approvals will be received in late 2016. Management has exercised judgement in determining what event would trigger receipt of the contingent consideration and when this will occur.

Due to the contractual clauses associated with the contingent consideration a change to the estimated date of receipt of project approvals to late 2016 reduces the amount receivable to zero, triggering an income statement charge of \$370 million which has been classified as a loss on disposal.

NOTES TO GROUP FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

Note 1. Segmental reporting

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the three geographical regions within which the Group operates. The Group has one class of business, being the exploration, development, production and sale of hydrocarbons and therefore the Group's reportable segments under IFRS 8 are West and North Africa; South and East Africa; and Europe, South America and Asia. The following tables present revenue, profit and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2014 and 31 December 2013.

	Notes	West and North Africa \$m	South and East Africa \$m	Europe, South America and Asia \$m	Unallocated \$m	Total \$m
2014						
Sales revenue by origin		1,957.1	–	255.8	–	2,212.9
Segment result		70.2	(74.9)	(1,249.6)	(35.5)	(1,289.8)
Loss on disposal						(482.4)
Unallocated corporate expenses						(192.4)
Operating loss						(1,964.6)
Gain on hedging instruments						50.8
Finance revenue						9.6
Finance costs						(143.2)
Loss before tax						(2,047.4)
Income tax credit						407.5
Loss after tax						(1,639.9)
Total assets		6,587.0	2,524.3	2,062.9	247.5	11,421.7
Total liabilities		(2,474.0)	(310.8)	(1,353.1)	(3,263.5)	(7,401.4)
Other segment information						
Capital expenditure:						
Property, plant and equipment	13	1,242.7	1.6	231.4	59.6	1,535.3
Intangible exploration and evaluation assets	12	394.3	676.4	334.8	–	1,405.5
Depletion, depreciation and amortisation	13	(467.8)	(0.9)	(110.5)	(42.6)	(621.8)
Impairment of property, plant and equipment	13	(255.6)	–	(340.3)	–	(595.9)
Exploration costs written off	12	(800.7)	(74.3)	(782.3)	–	(1,657.3)
Goodwill impairment	11	–	–	(132.8)	–	(132.8)

All sales are to external customers. Included in revenue arising from West and North Africa are revenues of approximately \$545.9 million, \$323.2 million, \$217.8 million and \$210.5 million relating to the Group's largest customers (2013: \$911.7 million, \$350.4 million and \$337.6 million relating to the Group's largest customers). As the sales of oil and gas are made on global markets and are highly liquid, the Group does not place reliance on the largest customers mentioned above.

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

Financial Statements
NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2014

Note 1. Segmental reporting continued

	Notes	West and North Africa \$m	South and East Africa \$m	Europe, South America and Asia \$m	Unallocated \$m	Total \$m
2013						
Sales revenue by origin		2,247.5	–	399.4	–	2,646.9
Segment result		1,285.5	(339.6)	(376.1)	–	569.8
Profit on disposal						29.5
Unallocated corporate expenses						(218.5)
Operating profit						380.8
Loss on hedging instruments						(19.7)
Finance revenue						43.7
Finance costs						(91.6)
Profit before tax						313.2
Income tax expense						(97.1)
Profit after tax						216.1
Total assets		5,940.4	2,173.3	3,212.0	182.9	11,508.6
Total liabilities		(1,943.6)	(276.4)	(1,771.6)	(2,070.6)	(6,062.2)
Other segment information						
Capital expenditure:						
Property, plant and equipment	13	876.7	2.3	164.2	27.2	1,070.4
Intangible exploration and evaluation assets	12	262.9	570.0	669.8	–	1,502.7
Depletion, depreciation and amortisation	13	(425.5)	(0.5)	(142.2)	(23.7)	(591.9)
Impairment of property, plant and equipment	13	–	–	(52.7)	–	(52.7)
Exploration costs written off	12	(113.4)	(334.9)	(422.3)	–	(870.6)
Sales revenue and non-current assets by origin		Sales revenue 2014 \$m	Sales revenue 2013 \$m	Non-current assets 2014 \$m	Non-current assets 2013 \$m	
Congo		52.4	66.9	82.9	128.0	
Côte d'Ivoire		58.5	90.6	143.5	167.8	
Equatorial Guinea		262.8	311.4	372.8	336.4	
Gabon		275.4	493.5	337.0	330.8	
Ghana		1,272.1	1,245.3	4,118.9	3,439.3	
Mauritania		35.9	39.8	90.2	519.6	
Other		–	–	52.8	37.9	
Total West and North Africa		1,957.1	2,247.5	5,198.1	4,959.8	
Uganda		–	–	1,408.1	1,205.5	
Other		–	–	780.2	394.7	
Total South and East Africa		–	–	2,188.3	1,600.2	
Bangladesh		–	15.5	–	–	
Netherlands		93.1	137.9	572.6	869.5	
Norway		7.7	11.2	597.7	985.1	
UK		155.0	234.8	440.1	404.8	
Other		–	–	165.1	456.4	
Total Europe, South America and Asia		255.8	399.4	1,775.5	2,715.8	
Unallocated		–	–	173.2	163.5	
Total revenue / non-current assets		2,212.9	2,646.9	9,335.1	9,439.3	

Note 2. Total revenue

	Notes	2014 \$m	2013 \$m
Sales revenue (excluding tariff income)			
Oil and gas revenue from the sale of goods		2,225.1	2,678.9
Loss on realisation of cash flow hedges	22	(14.5)	(56.0)
		2,210.6	2,622.9
Provision for accrued income		(18.5)	–
Tariff income		20.8	24.0
Total sales revenue		2,212.9	2,646.9
Finance revenue		9.6	43.7
Total revenue		2,222.5	2,690.6

During 2014 accrued income of \$18.5 million in Gabon has been written off as it will no longer be recovered. 2013 finance revenue includes \$32.8 million of interest and costs awarded from the legal action against Heritage Oil & Gas Limited.

Note 3. Staff costs

The average monthly number of employees and contractors (including Executive Directors) employed by the Group worldwide was:

	2014 Number	2013 Number
Administration	956	828
Technical	1,115	851
Total	2,071	1,679

Staff costs in respect of those employees were as follows:

	2014 \$m	2013 \$m
Salaries	415.2	258.7
Social security costs	24.1	29.0
Pension costs	19.6	15.8
	458.9	303.5

The increase in staff costs is due to increased employee numbers. A proportion of the Group's staff costs shown above is recharged to the Group's joint venture partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets with the remainder classified as an administrative overhead cost in the income statement. The net staff cost recognised in the income statement was \$100.8 million (2013: \$67.3 million, recognised in administrative expenses).

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' Remuneration Report described as having been audited which forms part of these Financial Statements.

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NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2014

Note 4. Operating (loss)/profit

	Notes	2014 \$m	2013 \$m
Operating (loss)/profit is stated after charging:			
Operating costs		511.5	524.4
Depletion and amortisation of oil and gas assets	13	572.2	565.1
Underlift and overlift		27.1	49.7
Share-based payment charge included in cost of sales	28	1.6	1.8
Other cost of sales		4.3	12.8
Total cost of sales		1,116.7	1,153.8
Share-based payment charge included in administrative expenses	28	37.9	39.5
Depreciation of other fixed assets	13	49.6	26.8
Other administrative costs		104.9	152.2
Total administrative expenses		192.4	218.5
<hr/>			
Fees payable to the Company's auditor for:			
The audit of the Company's annual accounts		0.4	0.3
The audit of the Company's subsidiaries pursuant to legislation		2.4	2.3
Total audit services		2.8	2.6
Non-audit services:			
Audit related assurance services – half-year review		0.5	0.4
Other assurance services		–	0.7
Tax compliance services		0.2	0.2
Information technology services		–	0.1
Corporate finance services		0.2	–
Other services		0.1	0.7
Total non-audit services		1.0	2.1
Total		3.8	4.7

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated Financial Statements are required to disclose such fees on a consolidated basis.

Tax advisory services include assistance in connection with enquiries from local fiscal authorities. Information technology services includes IT security analysis and assistance provided to management in the selection of new systems. The auditor is not involved in the design or implementation of IT systems. Other services include assistance to management in assessing changes to the finance function resulting from the Group's expansion and subscription fees for upstream data.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity are safeguarded are set out in the Audit Committee Report on pages 79 to 83. No services were provided pursuant to contingent fee arrangements.

Note 5. Finance costs

	Notes	2014 \$m	2013 \$m
Interest on bank overdrafts and borrowings		202.3	147.4
Interest on obligations under finance leases		1.1	2.3
Total borrowing costs		203.4	149.7
Less amounts included in the cost of qualifying assets	12,13	(120.6)	(105.9)
		82.8	43.8
Finance and arrangement fees		14.4	7.0
Other interest expense		1.0	1.8
Foreign exchange losses		22.6	21.5
Unwinding of discount on decommissioning provisions	24	22.4	17.5
Total finance costs		143.2	91.6

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.63% (2013: 7.84%) to cumulative expenditure on such assets.

Note 6. Taxation on (loss)/profit on ordinary activities**Analysis of (credit)/charge in period**

The tax (credit)/charge comprises:

	Notes	2014 \$m	2013 \$m
Current tax			
UK corporation tax		(61.5)	4.3
Foreign tax		(70.0)	(9.8)
Total corporate tax		(131.5)	(5.5)
UK petroleum revenue tax		4.8	11.1
Total current tax		(126.7)	5.6
Deferred tax			
UK corporation tax		(199.7)	(35.5)
Foreign tax		(81.4)	130.8
Total deferred corporate tax		(281.1)	95.3
Deferred UK petroleum revenue tax		0.3	(3.8)
Total deferred tax	25	(280.8)	91.5
Total tax (credit)/expense		(407.5)	97.1

Factors affecting tax (credit)/charge for period

The change in tax charge to a tax credit in 2014 is driven by deferred tax credits associated with exploration write-offs (\$397.9 million) and impairments (\$174.9 million) and utilisation of tax losses not previously recognised.

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 current tax (credit)/charge shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 21% (2013: 23%) to the (loss)/profit before tax is as follows:

	2014 \$m	2013 \$m
Group (loss)/profit on ordinary activities before tax	(2,047.4)	313.2
Tax on Group (loss)/profit on ordinary activities at the standard UK corporation tax rate of 21% (2013: 23%)	(430.0)	72.0
Effects of:		
Expenses not deductible for tax purposes	314.9	123.7
Other income not subject to corporation tax	–	(85.2)
PSC income not subject to corporation tax	(5.9)	(51.9)
Net losses not recognised	104.7	86.6
Petroleum revenue tax (PRT)	5.4	6.8
UK corporation tax deductions for current PRT	(3.3)	(4.2)
Utilisation of tax losses not previously recognised	(56.1)	(7.5)
Adjustment relating to prior years	(7.1)	(52.5)
Adjustments to deferred tax relating to change in tax rates	–	0.1
Income taxed at a different rate	(313.0)	32.5
Tax incentives for investment	(17.1)	(23.3)
Group total tax (credit)/expense for the year	(407.5)	97.1

On 20 March 2013, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 21% with effect from 1 April 2014 and a further reduction to 20% from 1 April 2015. These changes were substantively enacted on 2 July 2013 and hence the effect of the change on the deferred tax balances has been included.

Note 6. Taxation on (loss)/profit on ordinary activities continued

The Group's profit before taxation will continue to arise in jurisdictions where the effective rate of taxation differs from that in the UK. Furthermore, unsuccessful exploration expenditure is often incurred in jurisdictions where the Group has no taxable profits, such that no related tax benefit arises. Accordingly, the Group's tax charge will continue to vary according to the jurisdictions in which pre-tax profits and exploration costs written off arise.

The Group has tax losses of \$1,642.1 million (2013: \$1,783.0 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 these losses as they may not be used to offset taxable profits elsewhere in the Group. The Group has recognised \$72.0 million in deferred tax assets in relation to taxable losses (2013: \$52.0 million); this is disclosed net of a deferred tax liability in respect of capitalised interest.

No deferred tax liability is recognised on temporary differences of \$21.2 million (2013: \$24.5 million) 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.

Tax relating to components of other comprehensive income

During 2014 \$91.0 million (2013: \$0.1 million, credit) of tax has been recognised through other comprehensive income of which \$89.5 million (2013: \$nil) is current and \$1.5m (2013: \$0.1 million, credit) is deferred tax relating to gains on cash flow hedges arising in the year.

Current tax assets

As at 31 December 2014, current tax assets were \$221.6 million (2013: \$226.2 million) of which \$155.9 million (2013: \$203.0 million) relates to Norway, where 78% of exploration expenditure is refunded as a tax refund in the following year and \$47.7 million (2013: \$nil) relates to a tax overpayment in Ghana.

Note 7. Dividends

	2014 \$m	2013 \$m
Declared and paid during year		
Final dividend for 2013: 8 pence (2012: 8 pence) per ordinary share	123.3	110.6
Interim dividend for 2014: 4 pence (2013: 4 pence) per ordinary share	59.0	56.8
Dividends paid	182.3	167.4
Proposed for approval by shareholders at the AGM		
Final dividend for 2014: nil pence (2013: 8 pence) per ordinary share	–	120.0

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting.

Note 8. Earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing net (loss)/profit 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 per ordinary share amounts are calculated by dividing net (loss)/profit 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 ordinary shares that would be issued if employee and other share options were converted into ordinary shares.

	2014 \$m	2013 \$m
Earnings		
Net (loss)/profit attributable to equity shareholders	(1,555.7)	169.0
Effect of dilutive potential ordinary shares	–	–
Diluted net (loss)/profit attributable to equity shareholders	(1,555.7)	169.0
	2014 Number	2013 Number
Number of shares		
Basic weighted average number of shares	910,144,565	908,318,245
Dilutive potential ordinary shares	13,296,447	6,100,643
Diluted weighted average number of shares	923,441,012	914,418,888

Note 9. Acquisitions of subsidiaries

On 11 December 2012 Tullow announced that it had acquired 100% of the ordinary share capital of Spring Energy Norway AS ('Spring'). The acquisition of Spring added a portfolio of 28 offshore licences across Norway's continental shelf in the North, Norwegian and Barents Seas. The acquisition enables the Group to rapidly build a strong platform for future growth in Norway. The transaction had an effective date of 1 September 2012 but completed on 22 January 2013 and this is therefore the acquisition date.

	Acquisition fair value \$m
Goodwill	350.5
Intangible exploration and evaluation assets	593.3
Property, plant and equipment	0.6
Other non-current assets	26.2
Inventory	0.8
Trade receivables	4.1
Other current assets	30.4
Current tax assets	90.7
Cash and cash equivalents	26.3
Trade and other payables	(68.4)
Other financial liabilities – current ⁶	(87.7)
Deferred tax liabilities	(414.6)
Provisions	(28.6)
Total purchase consideration	523.6
Represented by:	
Consideration satisfied by cash	419.1
Contingent consideration	104.5
Total purchase consideration	523.6
Consideration satisfied by cash	(419.1)
Cash and cash equivalents acquired	26.3
Purchase of subsidiaries per the cash flow statement	(392.8)

Valuation methodology and assumptions

All fair values calculated for the purposes of IFRS 3 are classified as Level 3 in accordance with IFRS 13 Fair Value Measurement. The following table summarises the techniques used to arrive at fair value and certain key assumptions.

Category	Valuation technique	Key inputs & assumptions
Goodwill	n/a ¹	n/a
Intangible exploration and evaluation assets	\$/boe of risked resources	\$/boe of risked resources ²
Property, plant and equipment	Discounted cash flow	2P reserves, forward oil curve, 10% discount rate ²
Inventory	Historical cost	Historical cost of all inventory lower than NRV
Provisions ³	Present value	4% discount rate, 2% inflation, operator cost estimate
Contingent consideration	Discounted cash flow	\$/bbl of risked resources ⁴ , 8% discount rate
All other items ⁵	Carrying value	The carrying value is equal to fair value

- The total purchase consideration equals the aggregate of the pre-tax fair value of the identifiable assets and liabilities of Spring. Given the nature of the oil and gas regime in Norway, the fair value of the business acquired has been determined based on the purchase price which is net of tax attributes. As a consequence, the goodwill balance solely results from the requirement on an acquisition to recognise a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases.
- Further details regarding the key inputs and assumptions on the valuation of intangible exploration and evaluation assets and property, plant and equipment are disclosed in notes 11, 12 and 13.
- Provisions represent the present value of decommissioning costs (\$18.6 million) which are expected to be incurred up to 2025 and a \$10.0 million liability on development of the PL407 licence.
- The contingent consideration represents the fair value of a contingent amount payable to the previous owners of Spring. The payable is calculated as \$0.5/bbl to \$1.0/bbl of recoverable resources recognised by four operated wells expected to be drilled in 2013 and 2014 and is capped at \$300 million.
- All other items includes other non-current assets, trade receivables, other current assets, current tax assets, cash and cash equivalents, trade and other payables, other financial liabilities and deferred tax liabilities.
- Other current financial liabilities at 31 December and at the acquisition date relate to Spring's Exploration Finance Facility, which provides funding for 74% of Norwegian exploration costs secured against the exploration tax refund on exploration expenditure of 78%.

Note 9. Acquisitions of subsidiaries continued

Transaction costs of \$0.9m in respect of the acquisition were recognised in the 2013 income statement. From the date of acquisition to 31 December 2013, Spring contributed \$11.2 million to Group revenues and a loss of \$17.7 million to the profit of the Group. If the acquisition had been completed on the first day of 2013, Group revenues for 2013 would have been \$2,647.8 million and Group profit would have been \$216.9 million.

There were no acquisitions involving business combinations in 2014.

Note 10. Disposals

	Income statement 2014 \$m	Cash flow 2014 \$m	Income statement 2013 \$m	Cash flow 2013 \$m
Uganda farm-down consideration adjustments	(36.6)	(36.6)	–	–
Write-off of Uganda contingent consideration	(370.1)	–	–	–
Settlement of recoverable security due from Heritage Oil and Gas Ltd	–	–	30.0	30.0
Disposal of Brage (Norway) to Wintershall	21.1	8.4	–	–
Disposal of Tullow Bangladesh Ltd	–	–	–	41.4
Farm-out of Schooner & Ketch (UK) to Faroe Petroleum (U.K.) Limited	(90.4)	38.1	–	–
Other	(6.4)	11.4	(0.5)	8.9
	(482.4)	21.3	29.5	80.3

On completion of the Ugandan farm-down in 2012, Tullow recognised \$341.3 million of discounted contingent consideration due from Total and CNOOC as a non-current receivable in respect to a side letter agreement. The amount of contingent consideration recoverable is dependent on the timing of the receipt of certain project approvals. Delays in receipt of the project approvals would result in a decrease on a straight-line basis of the amount recoverable. It is no longer probable that the project approvals will be received before the recoverable amount reduces to zero and as such the full balance of \$370.1 million has been written off.

During 2014 the Group has made a payment of \$36.6 million in respect of certain indemnities granted on the farm-down of Tullow's interest in Uganda. In 2014 the Group completed the disposal of Brage (Norway) and the farm-down of Schooner and Ketch (UK) for net cash consideration of \$8.4 million and \$38.1 million respectively.

Note 11. Goodwill

	2014 \$m	2013 \$m
At 1 January	350.5	–
Acquisition of subsidiaries (note 9)	–	350.5
Impairment	(132.8)	–
At 31 December	217.7	350.5
Related deferred tax at 31 December	(99.1)	(285.8)
Total net asset impact after tax	118.6	64.7

The Group's goodwill arose from acquisition of Spring Energy in 2013 (note 9) and is allocated to the group of cash-generating units (CGUs) that represent the assets acquired. Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. The goodwill balance solely results from the requirement on an acquisition to recognise a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases. As a result, for the purposes of testing goodwill for impairment, the related deferred tax liabilities recognised on acquisition are included in the group of CGUs. The above table details the net impact of goodwill and the related deferred tax on the CGU. The decrease in the related deferred tax from 2013 relates to the write-off of assets in 2014 on which the deferred tax arose at acquisition.

In assessing goodwill for impairment the Group has compared the carrying value of goodwill and the carrying value of the related group of CGUs with the recoverable amounts relating to those CGUs. The carrying value of goodwill and the carrying value of the related group of CGUs was \$419.8 million and the recoverable amount of the CGUs was \$287.0 million, resulting in an impairment of \$132.8 million. The impairment was driven by a reduction in recoverable reserves and resources and a reduction in the dollar per boe value of assets reflecting reduced global oil prices.

Key assumptions

The valuation techniques, methodology, inputs and assumptions used for the purposes of goodwill impairment testing performed as at 31 December 2014 are the same as those used as part of the IFRS 3 fair value allocation detailed in note 9. Further details of how those key assumptions were calculated are summarised below:

Recoverable reserves and resources

Proven and probable reserves are estimated using standard recognised evaluation techniques. The estimate is reviewed at least twice annually and is regularly reviewed by independent consultants. Future development costs are estimated

taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Dollar per boe of risk resources

For exploration prospects a dollar per boe (\$/boe) valuation methodology was used, whereby value was ascribed to prospects based on an internal estimate of risk resources multiplied by a \$/boe figure representing a likely sales case. The \$/boe was risked to reflect the proximity to existing infrastructure, subsurface risks and the likelihood of development from a recognised valuation of \$2/boe for Norwegian North Sea prospects.

Sensitivity to changes in assumptions

As discussed above the principal assumptions are recoverable reserves and resources and the estimated dollar per boe of risk resources. An average 100 mmboe reduction in risk resources, would result in a further impairment of \$62.2 million. An average \$0.25/boe reduction in the estimated dollar per boe of risk resources would result in a further impairment of \$112.4 million.

Note 12. Intangible exploration and evaluation assets

	Notes	2014 \$m	2013 \$m
At 1 January		4,148.3	2,977.1
Acquisition of subsidiaries	9	–	593.3
Additions	1	1,405.5	1,502.7
Disposals	10	(26.8)	(8.6)
Amounts written-off		(1,662.4)	(865.5)
Write-off associated with Norway contingent consideration provision	24	(88.8)	(41.2)
Net transfer to assets held for sale	19	(13.8)	–
Transfer to property, plant and equipment	13	–	(2.7)
Currency translation adjustments		(101.2)	(6.8)
At 31 December		3,660.8	4,148.3

Included within 2014 additions is \$47.8 million (note 5) of capitalised interest (2013: \$56.9 million). The Group only capitalises interest in respect of intangible exploration and evaluation assets where it is considered that development is highly likely and advanced appraisal and development is ongoing.

In 2013 the income statement exploration costs written-off differ from the table below as a result of the write-down of the held-for-sale Pakistan assets of \$5.1 million (note 19). This has been reversed in 2014 when the assets have been declassified as held-for-sale.

	Rationale for 2014 write-off	2014 Current year expenditure \$m	2014 Prior year expenditure \$m	2014 Post-tax write off \$m	2013 Current year expenditure \$m	2013 Prior year expenditure \$m	2013 Post-tax write off \$m
Norway	a	28.1	52.3	80.4	28.0	20.3	48.3
Mauritania	a, b, c	199.6	368.6	568.2	–	–	–
French Guiana	c	(1.3)	344.4	343.1	100.6	–	100.6
Gabon	a, b	26.9	6.4	33.3	27.6	22.1	49.7
Côte d'Ivoire	c	2.7	55.3	58.0	6.8	–	6.8
Ethiopia	a	65.1	–	65.1	45.3	8.5	53.8
Ghana	b	0.5	19.9	20.4	20.5	4.1	24.6
Kenya	n/a	0.6	–	0.6	5.7	79.0	84.7
Uganda	n/a	(1.5)	–	(1.5)	13.7	66.9	80.6
Mozambique	n/a	(6.2)	–	(6.2)	77.0	27.9	104.9
Other	a, b, c	48.7	7.0	55.7	16.7	50.7	67.4
New ventures		42.3	–	42.3	75.3	–	75.3
Exploration costs written off after tax		405.5	853.9	1,259.4	417.2	279.5	696.7
Associated deferred tax credit		120.8	277.1	397.9	99.3	74.6	173.9
Exploration costs written off before tax		526.3	1,131.0	1,657.3	516.5	354.1	870.6

a. Current year unsuccessful drilling results

b. Licence relinquishments

c. Review of forward work programme in light of capital re-allocation to development projects

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Note 13. Property, plant and equipment

	Notes	2014 Oil and gas assets \$m	2014 Other fixed assets \$m	2014 Total \$m	2013 Oil and gas assets \$m	2013 Other fixed assets \$m	2013 Total \$m
Cost							
At 1 January		8,692.4	221.4	8,913.8	7,631.8	149.7	7,781.5
Acquisitions of subsidiaries		–	–	–	–	0.6	0.6
Additions	1	1,454.7	80.6	1,535.3	1,003.4	67.0	1,070.4
Disposals		(601.3)	0.1	(601.2)	(0.4)	–	(0.4)
Transfer to assets held for sale	19	(177.2)	–	(177.2)	–	–	–
Transfer from intangible assets	12	–	–	–	2.7	–	2.7
Currency translation adjustments		(128.3)	(18.4)	(146.7)	54.9	4.1	59.0
At 31 December		9,240.3	283.7	9,524.0	8,692.4	221.4	8,913.8
Depreciation, depletion and amortisation							
At 1 January		(3,942.3)	(108.6)	(4,050.9)	(3,293.1)	(80.5)	(3,373.6)
Charge for the year	4	(572.2)	(49.6)	(621.8)	(565.1)	(26.8)	(591.9)
Impairment loss	4	(595.9)	–	(595.9)	(48.0)	–	(48.0)
Disposal		448.0	(0.1)	447.9	0.4	–	0.4
Transfer to assets held for sale	19	73.3	–	73.3	–	–	–
Currency translation adjustments		100.0	10.4	110.4	(36.5)	(1.3)	(37.8)
At 31 December		(4,489.1)	(147.9)	(4,637.0)	(3,942.3)	(108.6)	(4,050.9)
Net book value at 31 December		4,751.2	135.8	4,887.0	4,750.1	112.8	4,862.9

The 2014 additions include capitalised interest of \$72.8 million (note 5) in respect of the TEN development project (2013: \$49.0 million). The carrying amount of the Group's oil and gas assets includes an amount of \$33.0 million (2013: \$36.9 million) in respect of assets held under finance leases. Other fixed assets include leasehold improvements, motor vehicles and office equipment. The disposal relates to the Schooner and Ketch farm-down (note 10). The currency translation adjustments arose due to the movement against the Group's presentation currency, USD, of the Group's UK, Dutch and Norwegian assets which have base currencies of GBP, EUR and NOK respectively.

	Trigger for 2014 impairment	2014 Impairment \$'m	2013 Impairment \$'m	Discount rate assumption	Short-term price assumption*	Long-term price assumption
UK	a,b	128.2	21.9	10%	3yr forward curve	55p/th
Netherlands	a,b	34.0	–	10%	3yr forward curve	55p/th
Norway	a	3.5	4.1	10%	3yr forward curve	55p/th
Congo	a,b	49.5	–	11% ^d	3yr forward curve	\$90/bbl
Equatorial Guinea	a,b	4.9	–	15%	3yr forward curve	\$90/bbl
Gabon	a,b,c	163.3	–	11% ^d	3yr forward curve	\$90/bbl
Mauritania	a,b	37.6	–	15%	3yr forward curve	\$90/bbl
Impairment after tax		421.0	26.0			
Associated deferred tax credit		174.9	22.0			
Impairment before tax		595.9	48.0			

a. Reduction in oil and gas forward curve and long-term price

b. Increase in decommissioning costs

c. Ongoing licence renegotiations

d. The impairment test was run using a post tax discount rate as tax is deducted at source

e. UK NBP gas forward curve and Bloomberg Brent forward curve

Note 14. Investments

	2014 \$m	2013 \$m
Unlisted investments	1.0	1.0

The fair value of these investments is not materially different from their carrying value. A list of the subsidiaries which the Directors consider to be significant and material as at 31 December 2014 is included in note 1 to the Company accounts.

Note 15. Other assets

	2014 \$m	2013 \$m
Non-current		
Amounts due from joint venture partners	57.0	–
Uganda VAT recoverable	50.6	50.6
Other non-current assets	12.1	18.1
	119.7	68.7
Current		
Contingent consideration receivable	–	358.1
Amounts due from joint venture partners	633.2	367.2
Underlifts	–	30.8
Prepayments	82.6	99.3
VAT recoverable	49.8	7.9
Other current assets	136.7	81.1
	902.3	944.4

The increase in amounts due from joint venture partners relates to the increase in operated current liabilities, which are recorded gross with the corresponding debit recognised as an amount due from joint venture partners, in Kenya and Ghana.

Note 16. Inventories

	2014 \$m	2013 \$m
Warehouse stocks and materials	86.0	147.4
Oil stocks	53.5	46.5
	139.5	193.9

Inventories include a provision of \$33.6 million (2013: \$4.5 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost. The increase in the provision during 2014 is associated with the completion of certain exploration campaigns, resulting in an income statement charge of \$29.1 million (2013: \$nil million).

Note 17. Trade receivables

Trade receivables comprise amounts due for the sale of oil and gas. No current receivables have been impaired and no allowance for doubtful debt has been recognised (2013: \$nil). During 2014 trade receivables have reduced by \$220.9 million primarily due to the timing of Jubilee (Ghana), M'Boundi (Congo) and Ceiba (Equatorial Guinea) cargos whereby a lifting was made in late 2013 and the cash was received in early 2014 and no liftings were left unsettled at year end 2014.

Note 18. Cash and cash equivalents

	2014 \$m	2013 \$m
Cash at bank	319.0	352.9
	319.0	352.9

Cash and cash equivalents includes an amount of \$200.6 million (2013: \$201.0 million) which the Group holds as operator in joint venture bank accounts.

Note 19. Assets classified as held for sale

In September 2014, Tullow signed an agreement to sell its operated and non-operated interests in the L12/L15 area in the Netherlands along with non-operated interests in blocks Q4 and Q5 to AU Energy, a subsidiary of Mercuria Energy Group Ltd. This transaction is expected to complete early in 2015.

On 11 October 2013, Tullow signed a Sale and Purchase (SPA) agreement with Ocean Pakistan Limited, a part of the Hashoo Group, for the sale of Tullow's 100% owned Pakistan subsidiary, Tullow Pakistan Developments Limited. The SPA expired in 2014 and as a result the associated assets have been declassified as held for sale.

The Q&L Blocks are included in the Europe, South America and Asia segment.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	Netherlands 2014 \$m	Pakistan 2014 \$m	Netherlands 2013 \$m	Pakistan 2013 \$m
Intangible exploration and evaluation assets	40.4	–	–	25.2
Property, plant and equipment	95.2	–	–	–
Trade and other receivables	–	–	–	0.5
Other current assets	–	–	–	1.5
Cash and cash equivalents	–	–	–	16.0
Total assets classified as held for sale	135.6	–	–	43.2
Trade and other payables	–	–	–	(17.7)
Provisions	(13.6)	–	–	(0.5)
Total liabilities associated with assets classified as held for sale	(13.6)	–	–	(18.2)
Net assets of disposal group	122.0	–	–	25.0
Exploration write-back/(write-off) recorded	–	5.1	–	(5.1)

Note 20. Trade and other payables

Current liabilities

	Notes	2014 \$m	2013 \$m
Trade payables		126.5	41.7
Other payables		104.6	252.7
Overlifts		15.6	16.7
Accruals		734.8	696.5
VAT and other similar taxes		92.1	32.3
Current portion of finance lease	23	1.3	1.2
		1,074.9	1,041.1

Payables related to operated joint ventures (primarily related to Ghana and Kenya) are recorded gross with the debit representing the partners' share recognised in amounts due from joint venture partners (note 15). The increase in trade payables and the decrease in other payables predominantly represent timing differences.

Non-current liabilities

	Notes	2014 \$m	2013 \$m
Other non-current liabilities		57.0	–
Non-current portion of finance lease	23	28.1	29.4
		85.1	29.4

Trade and other payables are non-interest bearing except for finance leases (note 23).

Note 21. Borrowings

	2014 \$m	2013 \$m
Current		
Short-term borrowings – Revolving Norwegian Exploration Finance facility	131.5	159.4
Non-current		
Term loans repayable – Reserves Based Lending credit facility		
– After one year but within two years	–	–
– After two years but within five years	1,914.0	445.0
– After five years	–	906.0
Senior notes due 2020	645.5	644.0
Senior notes due 2022	649.6	–
	3,209.1	1,995.0
Carrying value of total borrowings	3,340.6	2,154.4
Accrued interest and unamortised fees	81.3	107.0
External borrowings	3,421.9	2,261.4

External borrowings represent the principal amount due at maturity. Short-term borrowings and term loans are secured by fixed and floating charges over the oil and gas assets of the Group.

The \$3.5 billion Reserves Based Lending credit facility incurs interest on outstanding debt at Sterling or US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 7 November 2019, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier. During the year the Company issued certain letters of credit under bilateral arrangements which released additional debt capacity under the facility.

In April 2014 the Company refinanced the \$500 million Revolving credit facility, increasing commitments to \$750 million and extending maturity until April 2017. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin. Both the Reserves Based Lending credit facility and the Revolving Credit facility are subject to a financial leverage ratio. The ratio, defined as net borrowings to EBITDAX, is calculated as of 30 June and 31 December each year.

In June 2014 the Company also refinanced the NOK 2,000 million Revolving Norwegian Exploration Finance facility, increasing commitments to NOK 3,000 million and extending availability until December 2017. The facility is used to finance certain exploration activities on the Norwegian Continental Shelf which are eligible for a tax refund. The facility is available for drawings until 31 December 2017 and its final maturity date is either the date the 2017 tax reimbursement claims are received or 31 December 2018, whichever is the earlier. The facility incurs interest on outstanding debt at NIBOR plus an applicable margin.

At the end of December 2014, the headroom under the three facilities amounted to \$2,263 million; \$1,513 million under the \$3.5 billion Reserves Based Lending credit facility and \$750 million under the Revolving credit facility. At the end of December 2013, the headroom under the three facilities amounted to \$2,403 million; \$1,903 million under the \$3.5 billion Reserves Based Lending credit facility and \$500 million under the Revolving credit facility.

In April 2014 the Company completed an offering of \$650 million aggregate principal amount of 6.25% senior notes due 2022. As with the Company's November 2013 offering of \$650 million of 6% senior notes due in 2020, interest on the notes is payable semi-annually. All notes, whose net proceeds were used to repay certain existing indebtedness under the Company's credit facilities (but not cancel commitments under such facilities), are senior obligations of the Company and are guaranteed by certain of the Company's subsidiaries.

Capital management

The Group defines capital as the total equity of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Tullow is not subject to any externally-imposed capital requirements. To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or undertake other such restructuring activities as appropriate. No significant changes were made to the capital management objectives, policies or processes during the year ended 31 December 2014. The Group monitors capital on the basis of the net debt ratio, that is, the ratio of net debt to equity. Net debt is calculated as gross debt, as shown in the balance sheet, less cash and cash equivalents.

	Notes	2014 \$m	2013 \$m
External borrowings		3,421.9	2,261.4
Less cash and cash equivalents	18	(319.0)	(352.9)
Net debt		3,102.9	1,908.5
Equity		4,020.3	5,446.4
Net debt ratio		77%	35%

Note 21. Borrowings continued

The movement from 2013 is attributable to higher external borrowings during 2014, principally as a result of the Group's \$2,353.4 million capital expenditure, partially offset by operating cash flows.

Note 22. Financial instruments

Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group holds a portfolio of commodity derivative contracts, with various counterparties, covering its underlying oil and gas businesses. The Group holds a mix of fixed and floating rate debt as well as a portfolio of interest rate derivatives. The use of derivative financial instruments (derivatives) is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits is monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

Fair values of financial assets and liabilities

With the exception of the senior notes, the Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The fair value of the senior notes, as determined using market values at 31 December 2014 was \$1,101.3 million (2013: \$665.0 million). The Group has no material financial assets that are past due. No financial assets are impaired at the balance sheet date.

Fair values of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as cash flow or fair value hedges. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

The Group's derivative carrying and fair values were as follows:

Assets/liabilities	2014 Less than 1 year \$m	2014 1-3 years \$m	2014 Total \$m	2013 Less than 1 year \$m	2013 1-3 years \$m	2013 Total \$m
Cash flow hedges						
Oil derivatives	329.4	242.6	572.0	5.0	27.3	32.3
Gas derivatives	2.5	0.3	2.8	(0.1)	(0.1)	(0.2)
Interest rate derivatives	(3.3)	3.7	0.4	(4.5)	6.8	2.3
	328.6	246.6	575.2	0.4	34.0	34.4
Deferred premium						
Oil derivatives	(51.0)	(52.7)	(103.7)	(48.1)	(55.4)	(103.5)
Gas derivatives	(0.1)	–	(0.1)	(0.4)	(0.1)	(0.5)
	(51.1)	(52.7)	(103.8)	(48.5)	(55.5)	(104.0)
Total assets	280.8	193.9	474.7	–	6.8	6.8
Total liabilities	(3.3)	–	(3.3)	(48.1)	(28.3)	(76.4)

Derivatives' maturity and the timing of their recycling into income or expense coincide.

The following provides an analysis of the Group's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All the Group's derivatives are Level 2 (2013: Level 2). There were no transfers between fair value levels during the year.

For financial instruments which are recognised on a recurring basis, the Group determines whether transfers have occurred between levels by reassessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

Commodity price risk

The Group uses a number of derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues. Such commodity derivatives will tend to be priced using benchmarks, such as Dated Brent, D-1 Heren and M-1 Heren, which correlate as far as possible to the underlying oil and gas revenues respectively. The Group hedges its estimated oil and gas revenues on a portfolio basis, aggregating its oil revenues from substantially all of its African oil interests and its gas revenues from substantially all of its UK gas interests.

As at 31 December 2014 and 31 December 2013, all of the Group's oil and gas derivatives have been designated as cash flow hedges. The Group's oil and gas hedges have been assessed to be 'highly effective' within the range prescribed under IAS 39 using regression analysis. There is, however, the potential for a degree of ineffectiveness inherent in the Group's oil hedges arising from, among other factors, the discount on the Group's underlying African crude relative to Brent and the timing of oil liftings relative to the hedges. There is also the potential for a degree of ineffectiveness inherent in the Group's gas hedges which arises from, among other factors, daily field production performance.

Income statement hedge summary

Net losses from commodity derivative settlements during the period, included in the income statement, were \$14.5 million (2013: \$56.0 million) (note 2).

Derivative fair value movements during the year which have been recognised in the income statement were as follows:

	2014 \$m	2013 \$m
Profit/(loss) on hedging instruments:		
Cash flow hedges		
Gas derivatives		
Time value	0.9	0.2
	0.9	0.2
Oil derivatives		
Ineffectiveness	–	0.1
Time value	49.9	(20.0)
	49.9	(19.9)
Total net profit/(loss) for the year in the income statement	50.8	(19.7)

Hedge reserve summary

The hedge reserve represents the portion of deferred gains and losses on hedging instruments deemed to be effective cash flow hedges. The movement in the reserve for the period is recognised in other comprehensive income.

	2014 \$m	2013 \$m
Deferred amounts in the hedge reserve		
At 1 January	2.3	(6.5)
Revaluation gains arising in the year	485.7	3.4
Reclassification adjustments for items included in income statement on realisation	4.6	5.3
Movement in current and deferred tax	(91.0)	0.1
	399.3	8.8
At 31 December	401.6	2.3

The following table summarises the hedge reserve by type of derivative, net of tax effects:

	2014 \$m	2013 \$m
Hedge reserve by derivative type		
Cash flow hedges		
Gas derivatives	1.0	–
Oil derivatives	400.2	–
Interest rate derivatives	0.4	2.3
	401.6	2.3

Cash flow and interest rate risk

Subject to parameters set by management the Group seeks to minimise interest costs by using a mixture of fixed and floating debt. Floating rate debt comprises bank borrowings at interest rates fixed in advance from overnight to three months at rates determined by US dollar LIBOR, Sterling LIBOR and Norwegian NIBOR. Fixed rate debt comprises senior notes, bank borrowings at interest rates fixed in advance for periods greater than three months or bank borrowings where the interest rate has been fixed through interest rate hedging. The Group hedges its floating interest rate exposure

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Note 22. Financial instruments continued

on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2014 is an asset of \$0.4 million (2013: \$2.3 million asset). Interest rate hedges are included in fixed rate debt in the table below.

The interest rate profile of the Group's financial assets and liabilities, excluding trade and other receivables and trade and other payables, at 31 December 2014 and 2013 was as follows:

	2014 Cash at bank \$m	2014 Fixed rate debt \$m	2014 Floating rate debt \$m	2014 Total \$m	2013 Cash at bank \$m	2013 Fixed rate debt \$m	2013 Floating rate debt \$m	2013 Total \$m
US\$	216.6	(1,600.0)	(1,522.4)	(2,905.8)	258.2	(1,000.0)	(927.2)	(1,669.0)
Euro	16.8	-	-	16.8	14.8	-	-	14.8
Sterling	20.6	-	(164.6)	(144.0)	24.0	-	(174.8)	(150.8)
Other	65.0	-	(134.9)	(69.9)	55.9	-	(159.4)	(103.5)
	319.0	(1,600.0)	(1,821.9)	(3,102.9)	352.9	(1,000.0)	(1,261.4)	(1,908.5)

Cash at bank consisted mainly of deposits which earn interest at rates set in advance for periods ranging from overnight to one month by reference to market rates.

Credit risk

The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The primary credit exposures for the Group are its receivables generated by the marketing of crude oil. These exposures are managed at the corporate level. The Group's crude sales are predominantly made to international oil market participants including the oil majors, trading houses and refineries. Counterparty evaluations are conducted utilising international credit rating agency and financial assessment. Where considered appropriate security in the form of trade finance instruments such as letters of credit, guarantees and credit insurance is employed to mitigate the risks.

The Group generally enters into derivative agreements with banks who are lenders under the Reserves Based Lending credit facility. Security is provided under the facility agreement which mitigates non-performance risk. The Group does not have other significant credit risk exposure to any single counterparty or any group of counterparties. The maximum financial exposure due to credit risk on the Group's financial assets, representing the sum of cash and cash equivalents, investments, derivative assets, trade receivables, current tax assets and other current assets, as at 31 December 2014 was \$2,126.1 million (2013: \$1,908.7 million).

Foreign currency risk

Wherever possible, the Group conducts and manages its business in Sterling (UK) and US dollars (all other countries), the operating currencies of the industry in the areas in which it operates. The Group's borrowing facilities are also mainly denominated in Sterling and US dollars, which further assists in foreign currency risk management. From time to time the Group undertakes certain transactions denominated in other currencies. These exposures are often managed by executing foreign currency financial derivatives. There were no material foreign currency financial derivatives in place at the 2014 year-end (2013: nil). Cash balances are held in other currencies to meet immediate operating and administrative expenses or to comply with local currency regulations.

As at 31 December 2014, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were \$54.3 million in non-US dollar denominated cash and cash equivalents (2013: \$37.3 million) and £106.0 million cash drawings under the Group's borrowing facilities (2013: £106.0 million). The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of \$110.4 million (2013: net liabilities of \$137.5 million).

Liquidity risk

The Group manages its liquidity risk using both short- and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework covering the Group's short-, medium- and long-term funding and liquidity management requirements.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's portfolio of producing fields and delays in development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Group. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2014 Annual Report and Accounts.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Less than 1 month \$m	1-3 months \$m	3 months to 1 year \$m	1-5 years \$m	5+ years \$m	Total \$m
31 December 2014							
Non-interest bearing	n/a	234.2	40.0	64.6	57.0	–	395.8
Finance lease liabilities	6.5%	–	–	1.3	28.1	–	29.4
Fixed interest rate instruments	6.5%						
Principal repayments		–	–	–	–	1,300.0	1,300.0
Interest charge		–	–	79.6	318.5	160.9	559.0
Variable interest rate instruments	6.7%						
Principal repayments		–	–	134.9	1,987.0	–	2,121.9
Interest charge		6.6	13.2	63.1	372.3	–	455.2
		240.8	53.2	343.5	2,762.9	1,460.9	4,861.3

	Weighted average effective interest rate	Less than 1 month \$m	1-3 months \$m	3 months to 1 year \$m	1-5 years \$m	5+ years \$m	Total \$m
31 December 2013							
Non-interest bearing	n/a	249.6	10.4	84.6	–	–	344.6
Finance lease liabilities	6.5%	–	–	3.3	13.7	28.5	45.5
Fixed interest rate instruments	6.5%						
Principal repayments		–	–	–	–	650.0	650.0
Interest charge		–	–	39.0	156.0	78.0	273.0
Variable interest rate instruments	7.8%						
Principal repayments		–	–	159.4	536.9	915.1	1,611.4
Interest charge		5.0	10.0	45.8	304.1	48.5	413.4
		254.6	20.4	332.1	1,010.7	1,720.1	3,337.9

The Group has interest rate swaps that fix \$300.0 million (2013: \$350.0 million) of variable interest rate risk. The impact of these derivatives on the classification of fixed and variable rate instruments has been excluded from the above tables.

Sensitivity analysis

The following analysis is intended to illustrate sensitivity to changes in market variables, being interest rates, Dated Brent oil prices, UK D-1 Heren and M-1 Heren natural gas prices and US dollar exchange rates. The analysis is used internally by management to monitor derivatives and assesses the financial impact of reasonably possible movements in key variables.

	Market movement	Foreign currency denominated liabilities and equity			
		Equity			
		2014 \$m	2013 \$m	2014 \$m	2013 \$m
Interest rate	25 basis points	3.0	3.8	–	–
Interest rate	(25) basis points	(3.0)	(3.8)	–	–
Brent oil price	10%	(158.1)	(0.8)	–	–
Brent oil price	(10%)	165.0	1.2	–	–
UK D-1 Heren and M-1 Heren natural gas price	10%	(1.5)	–	–	–
UK D-1 Heren and M-1 Heren natural gas price	(10%)	1.6	0.5	–	–
US\$/foreign currency exchange rates	20%	–	–	(32.9)	(29.1)
US\$/foreign currency exchange rates	(20%)	–	–	32.9	35.0

The following assumptions have been used in calculating the sensitivity in movement of oil and gas prices; the pricing adjustments relate only to the point forward mark-to-market (MTM) valuations, the price sensitivities assume there is no ineffectiveness related to the oil and gas hedges and the sensitivities have been run only on the intrinsic element of the hedge as management consider this to be the material component of oil and gas hedge valuations.

Note 23. Obligations under finance leases

	Notes	2014 \$m	2013 \$m
Amounts payable under finance leases:			
– Within one year		3.2	3.3
– Within two to five years		14.1	13.7
– After five years		24.9	28.5
		42.2	45.5
Less future finance charges		(12.8)	(14.9)
Present value of lease obligations		29.4	30.6
Amount due for settlement within 12 months	20	1.3	1.2
Amount due for settlement after 12 months	20	28.1	29.4

The Group's only finance lease is the Espoir FPSO (2013: Espoir FPSO). The fair value of the Group's lease obligations approximates the carrying amount. The average remaining lease term as at 31 December 2014 was 12 years (2013: 13 years). For the year ended 31 December 2014, the effective borrowing rate was 6.5% (2013: 6.5%).

Note 24. Provisions

	Notes	Decommissioning 2014 \$m	Other provisions 2014 \$m	Total 2014 \$m	Decommissioning 2013 \$m	Other provisions 2013 \$m	Total 2013 \$m
At 1 January		841.5	147.7	989.2	531.6	–	531.6
New provisions and changes in estimates		454.9	(82.1)	372.8	274.0	136.3	410.3
Acquisition of subsidiary	9	–	–	–	18.6	10.0	28.6
Transfer to liabilities held for sale	19	(14.8)	–	(14.8)			
Disposals		(54.6)	–	(54.6)	–	–	–
Decommissioning payments		(20.4)	–	(20.4)	(6.7)	–	(6.7)
Unwinding of discount	5	22.4	16.9	39.3	16.7	0.8	17.5
Currency translation adjustment		(36.1)	(15.0)	(51.1)	7.3	0.6	7.9
At 31 December		1,192.9	67.5	1,260.4	841.5	147.7	989.2

The decommissioning provision represents the present value of decommissioning costs relating to the European and African oil and gas interests, which are expected to be incurred up to 2035. A review of all decommissioning estimates was undertaken by an independent specialist in 2014 which has been used for the purposes of the 2014 Financial Statements.

Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain. Decommissioning cost estimates have been inflated to the date of decommissioning at 2% and discounted back to the year end at 3%.

Other provisions include a liability acquired through the acquisition of Spring (note 9) which is contingent in terms of timing and amount on the development of the PL407 licence in Norway. Other provisions also include the contingent consideration in respect of the Spring acquisition (note 9). The amount recorded as at 31 December 2013 was \$131.2 million and subsequent information provided through drilling results during 2014 has resulted in a reduction of the provision by \$88.8 million (note 12). This was offset by an increase in other provisions of \$6.7 million. The unwind of other provisions is recorded against the intangible asset they relate to.

Note 25. Deferred taxation

	Accelerated tax depreciation \$m	Decommissioning \$m	Revaluation of financial assets \$m	Other timing differences \$m	Deferred PRT \$m	Total \$m
At 1 January 2013	(1,201.8)	67.6	0.6	58.9	3.3	(1,071.4)
(Charge)/credit to income statement	(185.4)	66.5	(0.2)	23.8	3.8	(91.5)
Acquisition of subsidiary	(412.0)	–	–	(11.6)	–	(423.6)
Credit to other comprehensive income	–	–	0.1	–	–	0.1
Exchange differences	(2.2)	3.3	–	(1.9)	0.3	(0.5)
At 1 January 2014	(1,801.4)	137.4	0.5	69.2	7.4	(1,586.9)
Credit/(charge) to income statement	255.2	3.9	(0.5)	22.5	(0.3)	280.8
Credit to other comprehensive income	–	–	(1.6)	–	–	(1.6)
Exchange differences	65.8	(9.5)	–	(0.8)	(0.4)	55.1
At 31 December 2014	(1,480.4)	131.8	(1.6)	90.9	6.7	(1,252.6)

	2014 \$m	2013 \$m
Deferred tax liabilities	(1,507.6)	(1,588.0)
Deferred tax assets	255.0	1.1
	(1,252.6)	(1,586.9)

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, as the Group has no plans to remit these to the UK in the foreseeable future.

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

Note 26. Called up equity share capital and share premium account**Allotted equity share capital and share premium**

	Equity share capital allotted and fully paid		Share premium
	Number	\$m	\$m
Ordinary shares of 10 pence each			
At 1 January 2013	907,763,327	146.6	584.8
Issued during the year			
– Exercise of share options	2,208,614	0.3	18.4
At 1 January 2014	909,971,941	146.9	603.2
Issued during the year			
– Exercise of share options	689,690	0.1	3.2
At 31 December 2014	910,661,631	147.0	606.4

The Company does not have an authorised share capital.

Note 27. Non-controlling interest

	2014 \$m	2013 \$m
At 1 January	123.5	92.4
Share of (loss)/profit for the year	(84.2)	47.1
Distribution to non-controlling interests	(15.0)	(16.0)
At 31 December	24.3	123.5

The non-controlling interest relates to Tulipe Oil SA (Tulipe), where the Group has a 50% controlling shareholding. The loss associated with non-controlling interests is principally as a result of impairments recorded against property, plant and equipment.

Note 28. Share-based payments

Reconciliation of share-based payment charge

	Notes	2014 \$m	2013 \$m
Tullow Incentive Plan		5.2	–
2005 Performance Share Plan		19.0	24.3
2005 Deferred Share Bonus Plan		2.3	2.6
Employee Share Award Plan		10.4	–
2010 Share Option Plan and 2000 Executive Share Option Scheme		21.6	37.1
UK & Irish Share Incentive		1.0	0.6
Total share-based payment charge		59.5	64.6
Capitalised to intangible and tangible assets		20.0	23.3
Expensed to operating costs	4	1.6	1.8
Expensed as administrative cost	4	37.9	39.5
Total share-based payment charge		59.5	64.6

Tullow Incentive Plan (TIP)

Under the TIP, senior executives can be granted nil exercise price options, normally exercisable from three (five years in the case of the Company's Directors) to ten years following grant provided an individual remains in employment. The size of awards depends on both annual performance measures and Total Shareholder Return (TSR) over a period of up to three years. There are no post-grant performance conditions. No dividends are paid over the vesting period, however an amount equivalent to the dividends that would have been paid on the TIP shares during the vesting period if they were 'real' shares, will also be payable on exercise of the award. No dividends are paid over the vesting period. There are further details of the TIP in the Directors' Remuneration Report on pages 88 to 104.

The weighted average remaining contractual life for TIP awards outstanding at 31 December 2014 was 8.9 years.

2005 Performance Share Plan (PSP)

Under the PSP, senior executives could be granted nil exercise price options, normally exercisable between three and ten years following grant. Awards made before 8 March 2010 were made as conditional awards to acquire free shares on vesting. To provide flexibility to participants, those awards were converted into nil exercise price options. Awards vest subject to a Total Shareholder Return (TSR) performance condition, 50% (70% for awards granted to Directors in 2013, 2012 and 2011) of an award is tested against a comparator group of oil and gas companies. The remaining 50% (30% for awards granted to Directors in 2013, 2012 and 2011) is tested against constituents of the FTSE 100 index (excluding investment trusts). Performance is measured over a fixed three-year period starting on 1 January prior to grant, and an individual must normally remain in employment for three years from grant for the shares to vest. No dividends are paid over the vesting period. There are further details of PSP award performance measurement in the Directors' Remuneration Report on pages 88 to 104. From 2014 senior executives participate in the TIP instead of the PSP.

The weighted average remaining contractual life for PSP awards outstanding at 31 December 2014 was 6.6 years.

2005 Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 75% of the base salary of a senior executive nominated by the Remuneration Committee was deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they were granted. They were granted as nil exercise price options, normally exercisable from when they vest until ten years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares were converted into nil exercise price options to provide flexibility to participants. A dividend equivalent is paid over the period from grant to vesting. From 2014 senior executives participate in the TIP instead of the DSBP.

The weighted average remaining contractual life for DSBP awards outstanding at 31 December 2014 was 6.6 years.

Employee Share Award Plan (ESAP)

Most Group employees are eligible to be granted nil exercise price options under the ESAP. These are normally exercisable from three to ten years following grant. An individual must normally remain in employment for three years from grant for the share to vest. Awards are not subject to post-grant performance conditions.

Phantom options that provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares) have also been granted under the ESAP in situations where the grant of share options was not practicable.

The weighted average remaining contractual life for ESAP awards outstanding at 31 December 2014 was 8.9 years.

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

Participation in the 2010 SOP and 2000 ESOS was available to most of the Group's employees. Options have an exercise price equal to market value shortly before grant and are normally exercisable between three and ten years from the date of the grant subject to continuing employment.

Options granted prior to 2011 were granted under the 2000 ESOS where exercise was subject to a performance condition. Performance was measured against constituents of the FTSE 100 index (excluding investment trusts). 100% of awards vested if the Company's TSR was above the median of the index companies over three years from grant. The 2010 SOP was replaced by the ESAP for grants from 2014. During 2013 phantom options were granted under the 2010 SOP to replace certain options granted under the 2000 ESOS that lapsed as a result of performance conditions not being satisfied. These replacement phantom options provide a cash bonus equivalent to the gain that could be made from a share option (being granted over a notional number of shares with a notional exercise price). Phantom options have also been granted under the 2010 SOP and the 2000 ESOS in situations where the grant of share options was not practicable.

Options outstanding at 31 December 2014 had exercise prices of 157p to 1530p (2013: 103p to 1530p) and remaining contractual lives between 5 months and 9 years. The weighted average remaining contractual life is 5.9 years.

UK & Irish Share Incentive Plans (SIPs)

These are all-employee plans set up in the UK and Ireland, to enable employees to save out of salary up to prescribed monthly limits. Contributions are used by the SIP trustees to buy Tullow shares ('Partnership Shares') at the end of each three-month accumulation period. The Company makes a matching contribution to acquire Tullow shares ('Matching Shares') on a one-for-one basis. Under the UK SIP, Matching Shares are subject to time-based forfeiture over three years on leaving employment in certain circumstances or if the related Partnership Shares are sold. The fair value of a Matching Share is its market value when it is awarded.

Under the UK SIP: (i) Partnership Shares are purchased at the lower of their market values at the start of the accumulation period and the purchase date (which is treated as a three-month share option for IFRS 2 purposes and therefore results in an accounting charge), and (ii) Matching Shares vest over the three years after being awarded (resulting in their accounting charge being spread over that period).

Under the Irish SIP: (i) Partnership Shares are bought at the market value at the purchase date (which does not result in any accounting charge), and (ii) Matching Shares vest over the two years after being awarded (resulting in their accounting charge being spread over that period).

The following table illustrates the number and average weighted share price ("WAEP") at grant or WAEP of, and movements in, share options under the PSP, DSBP and 2010 SOP / 2000 ESOS.

	Outstanding as at 1 January	Granted during the year	Exercised during the year	Forfeited/ expired during the year	Outstanding at 31 December	Exercisable at 31 December
2014 TIP – number of shares	–	1,611,122	–	(30,545)	1,580,577	–
2014 TIP – average weighted share price at grant	–	782.0	–	782.0	782.0	–
2014 PSP – number of shares	9,392,763	3,500	(37,319)	(2,386,215)	6,972,729	1,528,876
2014 PSP – average weighted share price at grant	1256.8	753.0	926.7	1338.9	1230.2	896.8
2013 PSP – number of shares	7,827,674	3,401,894	(778,239)	(1,058,566)	9,392,763	1,570,819
2013 PSP – average weighted share price at grant	1235.7	1227.8	874.5	1288.9	1256.8	898.6
2014 DSBP – number of shares	503,224	–	(11,308)	–	491,916	190,882
2014 DSBP – average weighted share price at grant	1242.7	–	1362.0	–	1240.0	1049.9
2013 DSBP – number of shares	518,403	150,508	(165,687)	–	503,224	136,624
2013 DSBP – average weighted share price at grant	1125.2	1241.0	873.5	–	1242.7	924.8
2014 ESAP – number of shares	–	3,494,417	–	(187,436)	3,306,981	9,621
2014 ESAP – average weighted share price at grant	–	779.9	–	782.0	779.7	782.0
2014 SOP/ESOS – number of shares	18,129,299	–	(652,371)	(1,133,323)	16,343,605	7,184,988
2014 SOP/ESOS – WAEP	1109.2	–	269.4	1310.3	1128.8	913.5
2013 SOP/ESOS – number of shares	15,473,354	7,407,454	(1,451,533)	(3,299,976)	18,129,299	5,001,028
2013 SOP/ESOS – WAEP	1024.0	1207.1	275.5	1290.5	1109.2	566.2
2014 Phantoms – number of phantom shares	2,417,507	–	–	(188,455)	2,229,052	2,229,052
2014 Phantoms – WAEP	1274.5	–	–	1275.3	1274.5	1274.5
2013 Phantoms – number of phantom shares	–	2,442,849	–	(25,342)	2,417,507	2,417,507
2013 Phantoms – WAEP	–	1274.5	–	1270.7	1274.5	1274.5

The options granted during the year were valued using a Monte Carlo simulation model for the PSP awards and a proprietary binomial valuation model for awards under the DSBP and 2010 SOP.

Financial Statements
NOTES TO GROUP FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2014

Note 28. Share-based payments continued

The following table details the weighted average fair value of awards granted and the assumptions used in the fair value expense calculations.

	2014 TIP	2014 ESAP	2013 PSP	2013 DSBP	2013 SOP/ESOS ¹
Weighted average fair value of awards granted	782.0p	744.7p	438.9p	1205.4p	319.5p
Weighted average share price at exercise for awards exercised	–	–	1079.7p	1066.0p	1037.7p
Principal inputs to options valuations model:					
Weighted average share price at grant	782.0p	779.9p	1227.8p	1241.0p	1120.3p
Weighted average exercise price	0.0p	0.0p	0.0p	0.0p	1223.7p
Risk-free interest rate per annum	1.1 – 1.5%	1.1 – 1.4%	0.4%	0.4%	1.0 – 1.7%
Expected volatility per annum ²	33 – 34%	32 – 34%	35%	35%	33 – 34%
Expected award life (years) ³	3.1	3.0	3.0	3.0	4.4
Dividend yield per annum	–	1.5 – 1.7%	1.0%	1.0%	1.0 – 1.4%
Employee turnover before vesting per annum ⁴	5% / 0%	5%	5% / 0%	0%	5%

1. Includes the replacement phantom awards made during 2013, which, as cash-settled awards, have been measured as at the accounting date.

2. Expected volatility was determined by calculating the historical volatility of the Company's share price over a period commensurate with the expected life of the awards.

3. The expected life is the average expected period from date of grant to exercise allowing for the Company's best estimate of participants' expected exercise behaviour.

4. Zero turnover is assumed for PSP & TIP awards made to executives and Directors, 5% for TIP and PSP awards to senior employees.

	2014 PSP	2013 PSP	2014 DSBP	2013 DSBP	2014 SOP/ESOS ¹	2013 SOP/ESOS ¹
WAEP at exercise for awards exercised	728.7p	1079.7p	792.5p	1066.0p	752.8p	1037.7p

Note 29. Commitments and contingencies

	2014 \$m	2013 \$m
Capital commitments	2,457.8	2,737.7
Operating lease commitments		
Due within one year	21.6	21.4
After one year but within two years	22.7	13.2
After two years but within five years	40.2	25.0
Due after five years	10.4	64.2
	94.9	123.8
Contingent liabilities		
Performance guarantees	288.7	183.5
Ugandan CGT	265.3	399.0
Recoverable security received from Heritage Oil and Gas Limited	–	345.8
Other contingent liabilities	1.9	6.5
	555.9	934.8

Where Tullow acts as operator of a joint venture the capital commitments reported represent Tullow's net share.

Operating lease payments represent rentals payable by the Group for certain of its office properties and a lease for an FPSO vessel for use on the Chinguetti field in Mauritania. Leases on office properties are negotiated for an average of six years and rentals are fixed for an average of six years.

Based on advice from external counsel management has determined that there is a possible chance (less than 50% but greater than 5%) that both the Ugandan Tax Tribunal and International Arbitration will not award in Tullow's favour. The current best estimate of the potential exposure is \$265 million. A letter of credit has been issued by Tullow to the URA in respect of this obligation.

Performance guarantees are in respect of abandonment obligations, committed work programmes and certain financial obligations.

Note 30. Related party transactions

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

	2014 \$m	2013 \$m
Short-term employee benefits	9.5	9.9
Post-employment benefits	1.2	1.1
Amounts awarded under long-term incentive schemes	3.3	4.1
Share-based payments	10.4	11.2
	24.4	26.3

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 88 to 104.

Note 31. Subsequent events

In January 2015, Tullow announced the results of the Ngamia-6 and Amosing-3 appraisal wells. Ngamia-6 was drilled to a final depth of 2,480 metres encountering up to 135 metres of net oil pay. The Amosing-3 well in Block 10BB continued the successful appraisal of the Amosing oil field. The well successfully encountered over 107 metres of net oil pay in good quality reservoir sands. The well reached a final depth of 2,403 metres and has been suspended for use in future appraisal and development activities.

In January 2015, Tullow also announced completion of the Epir-1 exploration well located in block 10BB in the North Kerio Basin. Whilst not a discovery, the well encountered oil and wet gas shows over a 100 metre interval of non-reservoir quality rocks, demonstrating a working petroleum system in this lacustrine sub-basin.

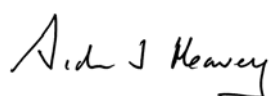
Note 32. Pension schemes

The Group operates defined contribution pension schemes for staff and Executive Directors. The contributions are payable to external funds which are administered by independent trustees. Contributions during the year amounted to \$19.6 million (2013: \$15.8 million). As at 31 December 2014, there was a liability of \$nil million (2013: \$1.1 million) for contributions payable included in other payables.

Financial Statements
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	2014 \$m	2013 \$m
Fixed assets			
Investments	1	4,919.6	3,851.4
		4,919.6	3,851.4
Current assets			
Debtors	4	3,706.0	3,602.6
Cash at bank		3.6	0.9
		3,709.6	3,603.5
Creditors – amounts falling due within one year			
Trade and other creditors	5	(236.1)	(181.9)
		(236.1)	(181.9)
Net current assets		3,473.5	3,421.6
Total assets less current liabilities		8,393.1	7,273.0
Creditors – amounts falling due after more than one year			
Borrowings	6	(3,209.1)	(1,995.0)
Loans from subsidiary undertakings	7	–	(1.3)
Net assets		5,184.0	5,276.7
Capital and reserves			
Called up equity share capital	8	147.0	146.9
Share premium account	8	606.4	603.2
Other reserves	10	850.8	850.8
Profit and loss account	9	3,579.8	3,675.8
Shareholders' funds	9	5,184.0	5,276.7

Approved by the Board and authorised for issue on 10 February 2015.



Aidan Heavey
Chief Executive Officer



Ian Springett
Chief Financial Officer

(a) Basis of accounting

The Financial Statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and UK Generally Accepted Accounting Practice (UK GAAP). The Financial Statements are presented in US dollars and all values are rounded to the nearest \$0.1 million, except where otherwise stated. The following paragraphs describe the main accounting policies under UK GAAP which have been applied consistently.

In accordance with the provisions of Section 408 of the Companies Act, the profit and loss account of the Company is not presented separately. During the year the Company made a profit of \$27.3 million. In accordance with the exemptions available under FRS 1 – Cash Flow Statements, the Company has not presented a cash flow statement as the cash flow of the Company has been included in the cash flow statement of Tullow Oil plc Group set out on page 121.

In accordance with the exemptions available under FRS 8 – Related Party Transactions, the Company has not separately presented related party transactions with other Group companies.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. In the currently low commodity price environment, the Group has taken appropriate action to reduce its cost base and had \$2.4 billion of debt liquidity headroom at the end of 2014. The Group's forecast, taking into account reasonably possible changes and risks as described above, shows that the Group will be able to operate within its current debt facilities and have sufficient financial headroom for the 12 months from the date of approval of the 2014 Annual Report and Accounts.

Notwithstanding our forecasts of significant liquidity headroom through to mid-2016 when first oil from TEN is expected, there remains a risk, given the volatility of the oil price environment, that the Group could become technically non-compliant with one of its financial covenant ratios in the first half of 2016. To mitigate this risk, we will continue to monitor our cash flow projections and, if necessary, take appropriate action with the support of our long-term banking relationships well in advance of this time.

(b) Foreign currencies

The US dollar is the reporting currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account. However, exchange gains and losses arising on long-term foreign currency borrowings, which are a hedge against the Company's overseas investments, are dealt with in reserves.

(c) Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(d) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(e) Share issue expenses

Costs of share issues are written off against the premium arising on the issues of share capital.

(f) Finance costs and debt

Finance costs of debt are recognised in the profit and loss account over the term of the related debt at a constant rate on the carrying amount.

Interest-bearing borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(g) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

A deferred tax asset is regarded as recoverable only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which it can be deducted.

(h) Share-based payments

The Company has applied the requirements of FRS 20 – Share-based Payments.

The Company has equity-settled and cash-settled share-based awards as defined by FRS 20. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Company's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values were calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. Where necessary this model was supplemented with a Monte Carlo model. The inputs to the models include: the share price at date of grant; exercise price; expected volatility; expected dividends; risk-free rate of interest; and patterns of exercise of the plan participants.

(i) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. Tullow is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

(j) Adoption of FRS 101

The Company's current basis of accounting is UK GAAP, which the Financial Reporting Council has announced is to change for reporting periods commencing on or after 1 January 2015. The company has chosen FRS 101 as its basis of accounting going forward, and that will be adopted for reporting for the year ended 31 December 2015 and beyond.

FRS 101 paragraph 5(a) requires the Company to give its shareholders notice of the adoption of the new standard, and to proceed with the proposal provided that a shareholder or shareholders holding in aggregate 5% or more of the Company's issued shares do not object to the proposal, which they may do in writing to the Company Secretary at its Registered Office by not later than 30 April 2015.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

Note 1. Investments

	2014 \$m	2013 \$m
Shares at cost in subsidiary undertakings	4,918.6	3,850.4
Unlisted investments	1.0	1.0
	4,919.6	3,851.4

During 2014 an impairment of \$661 million (2013: \$96.0 million) was recorded against the Company's investments in subsidiaries to fund losses incurred by Group service companies. A further reduction of \$nil million (2013: \$nil million) was recognised in respect of repayment of investments by dividends paid to the Company. This was partially offset by an increase of investment in the Company's directly held subsidiaries.

Principal and material subsidiary undertakings

At 31 December 2014 the Company's principal and material subsidiary undertakings were:

Name	%	Country of operation	Country of registration
Directly held			
Tullow Oil SK Limited	100	United Kingdom	England & Wales
Tullow Oil SPE Limited	100	United Kingdom	England & Wales
Tullow Group Services Limited	100	United Kingdom	England & Wales
Tullow Oil Limited	100	Ireland	Ireland
Tullow Overseas Holdings B.V.	100	Netherlands	Netherlands
Tullow Gabon Holdings Limited (50% held indirectly)	100	Gabon	Isle of Man
Tullow Oil Finance Limited	100	United Kingdom	England & Wales
Indirectly held			
Tullow (EA) Holdings Limited	100	Netherlands	British Virgin Islands
Tullow Oil International Limited	100	Channel Islands	Jersey
Tullow Pakistan (Developments) Limited	100	Pakistan	Jersey
Tullow Côte d'Ivoire Limited	100	Côte d'Ivoire	Jersey
Tullow Côte d'Ivoire Exploration Limited	100	Côte d'Ivoire	Jersey
Tullow Ghana Limited	100	Ghana	Jersey
Tullow Kenya B.V.	100	Kenya	Netherlands
Tullow Ethiopia B.V.	100	Ethiopia	Netherlands
Tullow Tanzania B.V.	100	Tanzania	Netherlands
Tullow Netherlands B.V.	100	Netherlands	Netherlands
Tullow Exploration & Production The Netherlands B.V.	100	Netherlands	Netherlands
Tullow Guyane B.V.	100	Guyana	Netherlands
Tullow Liberia B.V.	100	Liberia	Netherlands
Tullow Sierra Leone B.V.	100	Sierra Leone	Netherlands
Tullow Suriname B.V.	100	Suriname	Netherlands
Tullow Oil Norge AS	100	Norway	Norway
Tullow Congo Limited	100	Congo	Isle of Man
Tullow Equatorial Guinea Limited	100	Equatorial Guinea	Isle of Man
Tullow Kudu Limited	100	Namibia	Isle of Man
Tullow Uganda Limited	100	Uganda	Isle of Man
Tullow Oil Gabon SA	100	Gabon	Gabon
Tulipe Oil SA*	50	Gabon	Gabon
Tullow Chinguetti Production (Pty) Limited	100	Mauritania	Australia
Tullow Petroleum (Mauritania) (Pty) Limited	100	Mauritania	Australia
Tullow Oil (Mauritania) Limited	100	Mauritania	Guernsey
Tullow Uganda Operations (Pty) Limited	100	Uganda	Australia
Tullow South Africa (Pty) Limited	100	South Africa	South Africa
Hardman Petroleum France SAS	100	French Guiana	France

The principal activity of all companies relates to oil and gas exploration, development and production.

* The Company has a majority of the voting rights on the board of Tulipe Oil SA and is therefore deemed to control Tulipe Oil SA in accordance with FRS 2.

Note 1. Investments continued

The Company is required to assess the carrying values of each of its investments in subsidiaries for impairment. The net assets of certain of the Company's subsidiaries are predominantly intangible exploration and evaluation (E&E) assets. Where facts and circumstances indicate that the carrying amount of an E&E asset held by a subsidiary may exceed its recoverable amount, by reference to the specific indicators of impairment of E&E assets, an impairment test of the asset is performed by the subsidiary undertaking and the asset is impaired by any difference between its carrying value and its recoverable amount. The recognition of such an impairment by a subsidiary is used by the Company as the primary basis for determining whether or not there are indications that the investment in the related subsidiary may also be impaired, and thus whether an impairment test of the investment carrying value needs to be performed. The results of exploration activities are inherently uncertain, and the assessment of impairment of E&E assets by the subsidiary, and that of the related investment by the Company, is judgemental.

Note 2. Dividends

	2014 \$m	2013 \$m
Declared and paid during year		
Final dividend for 2013: 8 pence (2012: 8 pence) per ordinary share	123.3	110.6
Interim dividend for 2014: 4 pence (2013: 4 pence) per ordinary share	59.0	56.8
Dividends paid	182.3	167.4
Proposed for approval by shareholders at the AGM		
Final dividend for 2014: nil pence (2013: 8 pence)	–	120.0

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting.

Note 3. Deferred tax

The Company has tax losses of \$359.9 million (2013: \$396.0 million) that are available indefinitely for offset against future non-ring-fenced taxable profits in the Company. A deferred tax asset of \$nil (2013: \$nil) has been recognised in respect of these losses on the basis that the Company does not anticipate making non-ring-fenced profits in the foreseeable future.

Note 4. Debtors

Amounts falling due within one year

	2014 \$m	2013 \$m
Other debtors	16.4	0.2
Due from subsidiary undertakings	3,689.6	3,602.4
	3,706.0	3,602.6

The amounts due from subsidiary undertakings include \$2,800.8 million (2013: \$2,323.2 million) that incurs interest at LIBOR plus 0.875% – 5.95%. The remaining amounts due from subsidiaries accrue no interest. All amounts are repayable on demand. During the year a provision of \$128.9 million (2013: \$nil) was made in respect of the recoverability of amounts due from subsidiary undertakings.

Note 5. Trade and other creditors

Amounts falling due within one year

	2014 \$m	2013 \$m
Other creditors	7.3	5.4
Accruals	–	0.8
VAT and other similar taxes	15.4	–
Due to subsidiary undertakings	213.4	175.7
	236.1	181.9

Note 6. Borrowings

	2014 \$m	2013 \$m
Non-current		
Term loans repayable		
– After one year but within two years	–	–
– After two years but within five years	1,914.0	445.0
– After five years	–	906.0
Senior notes due 2020	645.5	644.0
Senior notes due 2022	649.6	–
Carrying value of total borrowings	3,209.1	1,995.0
Accrued interest and unamortised fees	77.9	107.0
External borrowings	3,287.0	2,102.0

Term loans are secured by fixed and floating charges over the oil and gas assets of the Group Financial Statements.

Interest rate risk

The interest rate profile of the Company's financial assets and liabilities at 31 December 2014 was as follows:

	US\$ \$m	Stg \$m	Other \$m	Total \$m
Fixed rate debt	(1,300.0)	–	–	(1,300.0)
Floating rate debt	(1,822.4)	(164.6)	–	(1,987.0)
Amounts due from subsidiaries at 7.0%	2,736.4	64.4	–	2,800.8
Amounts due from subsidiaries at NIBOR + 2.0%	–	–	(4.6)	(4.6)
Cash at bank at floating interest rate	2.2	(0.4)	1.8	3.6
Net (debt)/cash	(383.8)	(100.6)	(2.8)	(487.2)

The profile at 31 December 2013 for comparison purposes was as follows:

	US\$ \$m	Stg \$m	Other \$m	Total \$m
Fixed rate debt	(650.0)	–	–	(650.0)
Floating rate debt	(1,277.2)	(174.8)	–	(1,452.0)
Amounts due from subsidiaries at 7.2%	2,255.8	67.4	–	2,323.2
Cash at bank at floating interest rate	0.1	0.8	–	0.9
Net cash/(debt)	328.7	(106.6)	–	222.1

The \$3.5 billion Reserves Based Lending credit facility incurs interest on outstanding debt at Sterling or US dollar LIBOR plus an applicable margin. The outstanding debt is repayable in line with the amortisation of bank commitments over the period to the final maturity date of 7 November 2019, or such time as is determined by reference to the remaining reserves of the assets, whichever is earlier. During the year the Company issued certain letters of credit under bilateral arrangements which released additional debt capacity under the facility.

In April 2014 the Company refinanced the \$500 million Revolving credit facility, increasing commitments to \$750 million and extending maturity until April 2017. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

At the end of December 2014, the headroom under the two facilities amounted to \$2,263 million; \$1,513 million under the \$3.5 billion Reserves Based Lending credit facility and \$750 million under the Revolving credit facility. At the end of December 2013, the headroom under the two facilities amounted to \$2,403 million; \$1,903 million under the \$3.5 billion Reserves Based Lending credit facility and \$500 million under the Revolving credit facility.

In April 2014 the Company completed an offering of \$650 million aggregate principal amount of 6.25% senior notes due 2022. As with the Company's November 2013 offering of \$650 million of 6% senior notes due in 2020, interest on the notes is payable semi-annually. All notes, whose net proceeds were used to repay certain existing indebtedness under the Company's credit facilities (but not cancel commitments under such facilities), are senior obligations of the Company and are guaranteed by certain of the Company's subsidiaries.

Note 6. Borrowings continued

The Company is exposed to floating rate interest rate risk as entities in the Group borrow funds at floating interest rates. The Group hedges its floating rate interest exposure on an ongoing basis through the use of interest rate swaps. The mark-to-market position of the Group's interest rate portfolio as at 31 December 2014 is an asset of \$0.4 million (2013: \$2.3 million asset).

As at 31 December 2014, the only material monetary assets or liabilities of the Company that were not denominated in its functional currency were £106.0 million cash drawings under the Company's borrowing facilities (2013: £106.0 million). The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are net liabilities of \$164.6 million (2013: net liabilities of \$174.8 million).

Foreign currency sensitivity analysis

The Company is mainly exposed to currency fluctuations against the US dollar. The Company measures its market risk exposure by running various sensitivity analyses including assessing the impact of reasonably possible movements in key variables. The sensitivity analyses include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates.

As at 31 December 2014, a 20% increase in foreign exchange rates against the US dollar would have resulted in a decrease in foreign currency denominated liabilities and equity of \$32.9 million (2013: \$29.1 million) while a 20% decrease would have resulted in an increase in foreign currency denominated liabilities and equity of \$32.9 million (2013: \$35.0 million).

Note 7. Loans from subsidiary undertakings

Amounts falling due after more than one year

	2014 \$m	2013 \$m
Loans from subsidiary companies	–	1.3

The amounts due from subsidiaries do not accrue interest. All loans from subsidiary companies are not due to be repaid within five years.

Note 8. Called up equity share capital and share premium account

Allotted equity share capital and share premium

	Equity share capital allotted and fully paid Number	Share capital \$m	Share premium \$m
At 1 January 2013	907,763,327	146.6	584.8
Issues during the year			
– Exercise of share options	2,208,614	0.3	18.4
At 1 January 2014	909,971,941	146.9	603.2
Issues during the year			
– Exercise of share options	689,690	0.1	3.2
At 31 December 2014	910,661,631	147.0	606.4

The Company does not have an authorised share capital.

Note 9. Shareholders' funds

	Share capital \$m	Share premium \$m	Other reserves (note 10) \$m	Profit and loss account \$m	Total \$m
At 1 January 2013	146.6	584.8	850.8	2,704.7	4,286.9
Total recognised income and expense for the year	–	–	–	1,087.0	1,087.0
New shares issued in respect of employee share options	0.3	18.4	–	–	18.7
Vesting of PSP shares	–	–	–	(12.7)	(12.7)
Share-based payment charges	–	–	–	64.2	64.2
Dividends paid	–	–	–	(167.4)	(167.4)
At 1 January 2014	146.9	603.2	850.8	3,675.8	5,276.7
Total recognised income and expense for the year	–	–	–	27.3	27.3
New shares issued in respect of employee share options	0.1	3.2	–	–	3.3
Vesting of PSP shares	–	–	–	(0.4)	(0.4)
Share-based payment charges	–	–	–	59.4	59.4
Dividends paid	–	–	–	(182.3)	(182.3)
At 31 December 2014	147.0	606.4	850.8	3,579.8	5,184.0

Note 10. Other reserves

	Merger reserve \$m	Treasury shares \$m	Foreign currency translation reserve \$m	Total \$m
At 1 January 2014 and 31 December 2014	671.6	193.4	(14.2)	850.8

The treasury shares reserve represents the cost of shares in Tullow Oil plc purchased in the market and held by the Tullow Oil Employee Trust to satisfy options held under the Group's share incentive plans.

Note 11. Subsequent events

In January 2015, Tullow announced the results of the Ngamia-6 and Amosing-3 appraisal wells. Ngamia-6 was drilled to a final depth of 2,480 metres encountering up to 135 metres of net oil pay. The Amosing-3 well in Block 10BB continued the successful appraisal of the Amosing oil field. The well successfully encountered over 107 metres of net oil pay in good quality reservoir sands. The well reached a final depth of 2,403 metres and has been suspended for use in future appraisal and development activities.

In January 2015, Tullow also announced completion of the Epir-1 exploration well located in Block 10BB in the North Kerio Basin. Whilst not a discovery, the well encountered oil and wet gas shows over a 100 metre interval of non-reservoir quality rocks, demonstrating a working petroleum system in this lacustrine sub-basin.

Financial Statements
FIVE YEAR FINANCIAL SUMMARY

	2014 \$m	2013* \$m	2012* \$m	**Restated 2011* \$m	**Restated 2010* \$m
Group income statement					
Sales revenue	2,212.9	2,646.9	2,344.1	2,304.2	1,089.8
Cost of sales	(1,116.7)	(1,153.8)	(968.0)	(897.2)	(579.8)
Gross profit	1,096.2	1,493.1	1,397.5	1,426.1	558.4
Administrative expenses	(192.4)	(218.5)	(191.2)	(122.8)	(89.6)
(Loss)/profit on disposal	(482.4)	29.5	702.5	2.0	0.5
Goodwill impairment	(132.8)	–	–	–	–
Exploration costs written off	(1,657.3)	(870.6)	(670.9)	(120.6)	(154.7)
Impairment of property, plant and equipment	(595.9)	(52.7)	(31.3)	(33.6)	(4.3)
Operating (loss)/profit	(1,964.6)	380.8	1,185.2	1,132.0	261.9
Profit/(loss) on hedging instruments	50.8	(19.7)	(19.9)	27.2	(27.7)
Finance revenue	9.6	43.7	9.6	36.6	15.1
Finance costs	(143.2)	(91.6)	(59.0)	(122.9)	(70.1)
(Loss)/profit from continuing activities before taxation	(2,047.4)	313.2	1,115.9	1,072.9	179.2
Taxation	407.5	(97.1)	(449.7)	(383.9)	(89.7)
(Loss)/profit for the year from continuing activities	(1,639.9)	216.1	666.2	689.0	89.5
Earnings per share					
Basic – ¢	(170.9)	18.6	68.8	72.5	8.1
Diluted – ¢	(168.5)	18.5	68.4	72.0	8.0
Dividends paid	182.3	167.4	173.2	114.2	79.2
Group balance sheet					
Non-current assets	9,335.1	9,439.3	8,087.6	9,463.5	7,077.0
Net current assets/(liabilities)	747.4	637.0	65.4	(361.2)	(150.2)
Total assets less current liabilities	10,082.5	10,076.3	8,153.0	9,102.3	6,926.8
Long-term liabilities	(6,062.2)	(4,629.9)	(2,831.4)	(4,336.3)	(3,023.4)
Net assets	4,020.3	5,446.4	5,321.6	4,766.0	3,903.4
Called up equity share capital	147.0	146.9	146.6	146.2	143.5
Share premium	606.4	603.2	584.8	551.8	251.5
Foreign currency translation reserve	(205.7)	(155.1)	(167.8)	(175.5)	(141.0)
Hedge reserve	401.6	2.3	(6.5)	(14.3)	(25.7)
Other reserves	740.9	740.9	740.9	740.9	740.9
Retained earnings	2,305.8	3,984.7	3,931.2	3,441.3	2,873.6
Equity attributable to equity holders of the parent	3,996.0	5,322.9	5,229.2	4,690.4	3,842.8
Non-controlling interest	24.3	123.5	92.4	75.6	60.6
Total equity	4,020.3	5,446.4	5,321.6	4,766.0	3,903.4

* All comparative figures have been re-presented to align disclosure of impairments of property, plant and equipment on the face of the income statement with 2014.

** The 2011 figures have been restated to reflect the adjustment to business combination fair values. The 2010 comparatives have been restated due to a change in the inventory accounting policy.

Financial calendar

2014 Full-year results announced	11 February 2015
Annual General Meeting	30 April 2015
Interim Management Statement	30 April 2015
2014 Half-yearly results announced	31 July 2015
Interim Management Statement	11 November 2015

Shareholder enquiries

All enquiries concerning shareholdings including notification of change of address, loss of a share certificate or dividend payments should be made to the Company's registrars.

For shareholders on the UK register, Computershare provides a range of services through its online portal, Investor Centre, which can be accessed free of charge at www.investorcentre.co.uk. Once registered, this service, accessible from anywhere in the world, enables shareholders to check details of their shareholdings or dividends, download forms to notify changes in personal details, and access other relevant information.

United Kingdom Registrar

Computershare Investor Services PLC

The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Tel – UK shareholders: 0870 703 6242

Tel – Irish shareholders: + 353 1 247 5413

Tel – overseas shareholders: + 44 870 703 6242

Contact: www.investorcentre.co.uk/contactus

Ghana Registrar

The Central Securities Depository (Ghana) Limited

4th Floor, Cedi House, P.M.B CT 465
Cantonments, Accra, Ghana

Tel – Ghana shareholders: + 233 302 689 313 / 689 314

Contact: info@csd.com.gh

Share dealing service

A telephone share dealing service has been established for shareholders with Computershare for the sale and purchase of Tullow Oil shares. Shareholders who are interested in using this service can obtain further details by calling the appropriate telephone number below:

UK shareholders: 0870 703 0084

Irish shareholders: +00 353 1 447 5435

If you live outside the UK or Ireland and wish to trade you can do so through the Computershare Trading Account. To find out more or to open an account, please visit www.computershare-sharedealing.co.uk or phone Computershare on +44 870 707 1606.

ShareGift

If you have a small number of shares whose value makes it uneconomical to sell, you may wish to consider donating them to ShareGift which is a UK registered charity specialising in realising the value locked up in small shareholdings for charitable purposes. The resulting proceeds are donated to a range of charities, reflecting suggestions received from donors. Should you wish to

donate your Tullow Oil Plc shares in this way, please download and complete a transfer form from www.ShareGift.Org/forms, sign it and send it together with the share certificate to ShareGift, PO Box 72253, London SW1P 9LQ. For more information regarding this charity, visit www.ShareGift.org

Electronic communication

To reduce impact on the environment, the Company encourages all shareholders to receive their shareholder communications including annual reports and notices of meetings electronically. Once registered for electronic communications, shareholders will be sent an email each time the Company publishes statutory documents, providing a link to the information.

Tullow actively supports Woodland Trust, the UK's leading woodland conservation charity. Computershare, together with Woodland Trust, has established eTree, an environmental programme designed to promote electronic shareholder communications. Under this programme, the Company makes a donation to eTree for every shareholder who registers for electronic communication. To register for this service, simply visit www.etree.com/tullowoilplc with your shareholder number and email address to hand.

Shareholder security

Shareholders are advised to be cautious about any unsolicited financial advice; offers to buy shares at a discount or offers of free company reports. More detailed information can be found at www.fca.org.uk/scams and in the Shareholder Services section of the Investors area of the Tullow website: www.tullowoil.com.

Corporate Brokers

Barclays

5 North Colonnade
Canary Wharf
London
E14 4BB

Morgan Stanley & Co. International plc

20 Bank Street
Canary Wharf
London
E14 4AD

Davy

Davy House
49 Dawson Street
Dublin 2
Ireland

Supplementary Information
LICENCE INTERESTS
 CURRENT EXPLORATION, DEVELOPMENT AND PRODUCTION INTERESTS

WEST & NORTH AFRICA

Licence	Fields	Area sq km	Tulow Interest	Operator	Other Partners
Congo (Brazzaville)					
M'Boundi	M'Boundi	146	11.00%	ENI	SNPC
Côte d'Ivoire					
CI-26 Special Area "E"	Espoir	235	21.33%	CNR	PETROCI
Equatorial Guinea					
Ceiba	Ceiba	70	14.25%	Hess	GEPetrol
Okume Complex	Okume, Oveng Ebano, Elon Akom North	192	14.25%	Hess	GEPetrol
Gabon					
Arouwe		4,414	35.00%	Perenco	ExxonMobil
Avouma	Avouma, South Tchibala	52	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Ebouri	Ebouri	15	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Echira	Echira	76	40.00%	Perenco	
Etame	Etame	49	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Limande	Limande	54	40.00%	Perenco	
M'Oba		56	28.57%	Perenco	
Niungo	Niungo	96	40.00%	Perenco	
Nziembou		1,027	40.00%	Perenco	Total
Oba	Oba	44	5.00% ¹	Perenco	AIC Petrofi
Tchatamba Marin	Tchatamba Marin	30	25.00%	Perenco	Oranje Nassau
Tchatamba South	Tchatamba South	40	25.00%	Perenco	Oranje Nassau
Tchatamba West	Tchatamba West	25	25.00%	Perenco	Oranje Nassau
Turnix	Turnix	18	27.50%	Perenco	
Back-In Rights²					
Etame Marin		2,972	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Ghana					
Deepwater Tano	Wawa	618	49.95%	Tulow	Kosmos, Anadarko, GNPC, PetroSA
<i>Ten Development Area³</i>	Tweneboa, Enyenra, Ntomme		47.18% ³		
West Cape Three Points	Jubilee	459	26.40%	Kosmos	Anadarko, GNPC, PetroSA
Jubilee Field Unit Area ⁴	Jubilee		35.48%	Tulow	Kosmos, Anadarko, GNPC, PetroSA
Guinea					
Offshore Guinea (Deepwater)		25,187	40.00%	Tulow	SCS, Dana

WEST & NORTH AFRICA continued

Licence	Fields	Area sq km	Tullow Interest	Operator	Other Partners
Mauritania					
Block C-3		9,825	49.50%	Tullow	Sterling Energy, SMH
Block 7		7,300	36.15%	Dana	Petronas, GDF Suez
Block C-10		8,025	59.15%	Tullow	Premier, Kufpec, Petronas, SMH
Block C-18		13,225	90.00%	Tullow	SMH
PSC B (Chinguetti EEA)	Chinguetti	31	22.26%	Petronas	SMH, Premier, Kufpec

SOUTH & EAST AFRICA

Ethiopia					
South Omo		22,288	50.00%	Tullow	Africa Oil, Marathon
Kenya					
Block 10BA		15,811	50.00%	Tullow	Africa Oil
Block 10BB		8,834	50.00%	Tullow	Africa Oil
Block 12A		20,520	65.00%	Tullow	Africa Oil, Marathon
Block 12B		8,326	50.00%	Tullow	Swala Energy
Block 13T		6,296	50.00%	Tullow	Africa Oil
Madagascar					
Mandabe (Block 3109)		7,189	65.00%	Tullow	OMV
Berenty (Block 3111)		7,492	65.00%	Tullow	OMV
Namibia					
PEL 0030 (Block 2012A)		5,800	25.00%	Eco O & G	AziNam, NAMCOR
PEL 0037 (Blocks 2112A,B, 2113B)		17,295	65.00%	Tullow	Pancontinental, Paragon
Uganda					
Exploration Area 1	Jobi, Rii, Jobi East, Gunya, Ngiri, Mpyo	598	33.33%	Total	CNOOC
Exploration Area 1A	Lyec	85	33.33%	Total	CNOOC
Exploration Area 2	Kasamene, Kigogole, Mputa, Nsogo, Ngege, Ngara, Nzizi, Waraga, Wahrindi	1,527	33.33%	Tullow	CNOOC, Total
Production Licence 1/12	Kingfisher	344	33.33%	CNOOC	Total

Notes:

1. Tullow's interest in this licence is held through its 50% holding in Tulipe Oil SA.
2. Back-In Rights: Tullow has the option, in the event of a development, to acquire an interest in this licence.
3. GNPC exercised its right to acquire an additional 5% in the Tweneboa, Enyenra and Ntomme (TEN) discoveries. Tullow's interest in these discoveries is 47.175%.
4. A unitisation agreement covering the Jubilee field was agreed by the partners of the West Cape Three Points and the Deepwater Tano licences.

Supplementary Information
LICENCE INTERESTS CONTINUED
CURRENT EXPLORATION, DEVELOPMENT AND PRODUCTION INTERESTS

EUROPE, SOUTH AMERICA & ASIA

Licence / Unit	Area Blocks	Fields	Area sq km	Tullow Interest	Operator	Other Partners
EUROPE						
United Kingdom						
CMS Area						
P450	44/21a	Boulton B & F	77	9.50%	ConocoPhillips	GDF Suez
P451	44/22a	Murdoch	89	34.00%	ConocoPhillips	GDF Suez
	44/22b	Boulton H ⁵				
P452	44/23a (part)	Murdoch K ⁵	48	6.91%	ConocoPhillips	GDF Suez
P453	44/28b	Ketch	85	40.00%	Faroe Petr	
P516	44/26a	Schooner ⁶	99	42.96%	Faroe Petr	
P1006	44/17b	Munro ⁷	48	20.00%	ConocoPhillips	GDF Suez
P1058	44/18b		46	22.50%	ConocoPhillips	GDF Suez
	44/23b	Kelvin				
P1139	44/19b	Katy	30	22.50%	ConocoPhillips	GDF Suez
CMS III Unit ⁸	44/17a (part)	Boulton H		14.10%	ConocoPhillips	GDF Suez
	44/17c (part)	Hawksley				
	44/21a (part)	McAdam				
	44/22a (part)	Murdoch K				
	44/22b (part)					
	44/22c (part)					
	44/23a (part)					
Munro Unit ⁸	44/17b	Munro		15.00%	ConocoPhillips	GDF Suez
	44/17a					
Schooner Unit ⁸	44/26a	Schooner		40.00%	Faroe Petr	
	43/30a					
Thames Area						
P007	49/24aF1 (Excl Gawain)		163	100.00%	Tullow	
	49/24aF1 (Gawain)	Gawain ^{9, 10}		50.00%	Perenco	
P037	49/28a	Thames ¹⁰ , Yare ¹⁰ , Bure ¹⁰ , Deben ¹⁰ , Wensum ¹⁰	90	66.67%	Perenco	Centrica
	49/28b					
	49/28a (part)	Thurne ¹⁰		86.96%	Tullow	Centrica
P039	53/04d	Wissey ¹⁰	29	62.50%	Tullow	First Oil, Faroe Petr
P105	49/29a (part)	Gawain ^{9, 10}	17	50.00%	Perenco	
P786	53/03c	Horne ¹⁰	8	50.00%	Tullow	Centrica
P852	53/04b	Horne & Wren ¹⁰	17	50.00%	Tullow	Centrica
Gawain Unit ⁸	49/24F1 (Gawain)	Gawain ¹⁰		50.00%	Perenco	
	49/29a (part)					
Northern North Sea						
P1972	3/9e		65	43.00%	MOL	
	3/10a					
	3/15b					

EUROPE, SOUTH AMERICA & ASIA continued

Licence	Blocks	Fields	Area sq Km	Tullow Interest	Operator	Other Partners
Greenland						
Block 9 (Tooq)			11,802	40.00%	Maersk	Nunaoil
Norway						
North Sea						
PL 405	7/9, 7/12, 8/7, 8/8 8/10, 8/11		625	15.00%	Centrica	Faroe Petr, Suncor
PL 405B	7/12		21	15.00%	Centrica	Faroe Petr, Suncor
PL 406	18/10		115	20.00%	Premier	Kufpec
PL 407	17/12		81	20.00%	Premier	Kufpec
PL 494	2/9		215	15.00%	Det norske	Dana, Fortis Petr, Spike Expl
PL 494B	2/6, 2/9		23	15.00%	Det norske	Dana, Fortis Petr, Spike Expl
PL 494C	2/9		4	15.00%	Det norske	Dana, Fortis Petr, Spike Expl
PL 507	25/2, 25/3 30/11, 30/12 31/10 (parts)		1,003	60.00%	Tullow	Explora Petr, Ithaca, North Energy
PL 550	31/1, 31/2		469	80.00%	Tullow	Det norske, VNG
PL 551	31/2, 31/3		101	80.00%	Tullow	Det norske
PL 619	1/3, 1/6, 2/1		336	20.00%	Total	Det norske
PL 626	25/10		202	30.00%	Det norske	Fortis Petr, Ithaca
PL 636	36/7		455	20.00%	GDF Suez	Idemitsu
PL 666	2/1, 8/10, 8/11		308	30.00%	Centrica	Faroe Petr
PL 667	1/3		119	20.00%	Total	Det norske
PL 668	7/12		48	30.00%	Centrica	Faroe Petr
PL 670	7/11, 7/12		215	30.00%	Tullow	Faroe Petr, Centrica, Concedo
PL 670B	7/11		22	30.00%	Tullow	Faroe Petr, Centrica, Concedo
PL 681	31/3, 35/12		181	64.00%	Tullow	Det norske, Petoro
PL 729	2/1		60	30.00%	Centrica	Faroe Petr
PL 738	25/3		156	60.00%	Tullow	Explora Petr
PL 744S	30/3		148	40.00%	Tullow	Noreco, Bayerngas, Wintershall
PL 746S	29/3		55	30.00%	Rocksource	Concedo
PL 774	16/7		114	40.00%	Tullow	Concedo, Petrolia
PL 775	16/7, 16/8		347	40.00%	Tullow	Concedo, Petoro, Spike
PL 776	16/5, 16/6, 16/8, 16/9		665	40.00%	Tullow	Concedo, Petoro, Wintershall
PL 784	25/3, 25/6		273	40.00%	Tullow	Concedo, Explora, Rocksource
PL 786	31/3, 32/1, 35/12, 36/10		732	50.00%	GDF Suez	

Notes:

- Refer to CMS III Unit for field interest.
- Refer to Schooner Unit for field interest.
- Refer to Munro Unit for field interest.
- For the UK offshore area, fields that extend across more than one licence area with differing partner interests become part of a unitised area. The interest held in the Unitised Field Area is split amongst the holders of the relevant licences according to their proportional ownership of the field. The unitised areas in which Tullow is involved are listed in addition to the nominal licence holdings.
- Refer to Gawain Unit for field interest.
- These fields are no longer producing. Abandonment works are ongoing.

EUROPE, SOUTH AMERICA & ASIA continued

Licence	Blocks	Fields	Area sq Km	Tulow Interest	Operator	Other Partners
Norway continued						
<i>Norwegian Sea</i>						
PL 519	6201/11, 6201/12 (parts)		145	20.00%	Lundin	Bayerngas, Noreco, Fortis
PL 583	6306/6, 6306/7 6306/8, 6306/9		1,021	30.00%	Tulow	Svenska, Lundin, Bayerngas
PL 591	6507/8, 6507/9 6507/11		207	60.00% ¹¹	Tulow	North Energy, Lime Petr
PL 591B	6507/8		27	60.00% ¹¹	Tulow	North Energy, Lime Petr
PL 591C	6507/11		47	60.00% ¹¹	Tulow	North Energy, Lime Petr
PL 642	6306/2, 6306/5		427	20.00%	Repsol	OMV, Petoro
PL 651	6610/8, 6610/9 6610/11, 6610/12		1,338	35.00%	E. ON	Dana
PL 689	6306/3		457	20.00%	DONG	Bayerngas, Svenska
PL 701	6406/9, 6406/11 6406/12		419	30.00%	Noreco	GDF Suez
PL 750	6405/4, 6405/7 6405/10		1,043	60.00%	Tulow	Repsol
PL 755	6507/8, 6507/11		136	20.00%	Statoil	Noreco, Centrica
PL 791	6203/7, 6203/8 6203/9, 6203/10 6203/11, 6203/12 6204/10		1302	50.00%	Rocksource	
<i>Barents Sea</i>						
PL 438	7120/1, 7120/2 7120/3, 7120/4 7120/5,		337	17.50%	Lundin	RWE, Petoro, Det norske, Talisman
PL 490	7120/4, 7120/5 7120/6 (parts)		331	30.00%	Lundin	Noreco
PL 537	7324/7, 7324/8		594	20.00%	OMV	Petoro, Idemitsu, Statoil
PL 610	7222/2 7222/3 (parts)		403	37.50%	GDF Suez	Rocksource
PL 659	7121/3 7122/1, 7122/2 7221/12 7222/10, 7222/11 7222/12		1,462	15.00%	Det norske	Lundin, Petoro, Rocksource, Atlantic Petr.
PL 695	7018/3, 7018/6 7019/1		590	40.00%	Lundin	Petoro
PL709	7224/6 7225/4		476	40.00%	Det norske	GDF Suez
PL710	7218/12 7219/10, 7219/11		956	20.00%	Total	Maersk, GDF Suez
PL722	7322/6, 7323/4		586	15.00%	GDF Suez	North Energy, Rocksource, Spike Expl, Explora Petr.

EUROPE, SOUTH AMERICA & ASIA continued

Licence / Blocks	Fields	Area sq km	Tullow Interest	Operator	Other Partners
Netherlands					
E10		401	60.00%	Tullow	EBN
E11		401	60.00%	Tullow	EBN
E14		403	60.00%	Tullow	EBN
E15a	F16-E ¹²	39	4.69%	Wintershall	Dana, GDF Suez, EBN
E15b	E18-A ¹²	21	21.12%	Wintershall	Dana, EBN
E15c		343	50.00%	Tullow	Gas Plus, EBN
E18a	K3-A ¹² , E18-A ¹² , F16-E ¹²	212	17.60%	Wintershall	Dana, EBN
E18b		192	60.0%	Tullow	EBN
F13a	F16-E ¹²	4	4.69%	Wintershall	Dana, GDF Suez, EBN
J9		18	9.95%	NAM	Oranje Nassau, Wintershall, EBN
K8, K11		820	22.50%	NAM	Oranje Nassau, Wintershall, EBN
L12a ¹⁴	L12-B ¹³	119	22.50%	GDF Suez	Oranje Nassau, Wintershall, EBN
L12b ¹⁴ , L15b ¹⁴	L12-C ¹³ , L15-A ¹³	92	15.00%	GDF Suez	Wintershall, EBN
L12c ¹⁴		30	45.00%	Tullow	EBN, Wintershall
L12d ¹⁴		225	52.50%	Tullow	Oranje Nassau, Wintershall, EBN
L13		413	22.50%	NAM	Oranje Nassau, Wintershall, EBN
L15d		62	45.00%	Tullow	EBN, Wintershall
Q4 ¹⁴	Q4-A, Q1-B ¹² , Q4-B ¹²	417	19.80%	Wintershall	Dyas, EBN
Q5d ¹⁴		21	10.00%	Wintershall	Dyas, EBN
Joint Development Area (JDA) ¹⁵ K7, K8, K11, K14a, K15, L13	Over 31 fields		9.95%	NAM	Oranje Nassau, Wintershall, EBN

SOUTH AMERICA

French Guiana					
Guyane Maritime		24,100	27.50%	Shell	Total, Northpet Investments
Guyana					
Kanuku		6,525	30.00%	Repsol ¹⁶	RWE ¹⁶
Jamaica					
Walton Morant		32,065	100%	Tullow	
Suriname					
Block 31		5,560	30.00%	Inpex	
Block 47		2,369	100.00%	Tullow	
Block 54		8,480	50.00%	Tullow	Statoil
Uruguay					
Block 15		8,030	70.00%	Tullow	Inpex

ASIA

Pakistan					
Bannu West		1,230	40.00%	Tullow	OGDCL, MGCL, SEL
Block 28		6,200	95.00%	Tullow	OGDCL
Kalchas		2,068	30.00%	OGDCL	MGCL
Kohat		1,107	40.00%	OGDCL	MGCL, SEL
Kohlu		2,459	30.00%	OGDCL	MGCL

Notes:

11. Interest on completion of deal, which is subject to Government approval.

12. These fields are unitised – interests are as follows: F16-E 4.147%; E18-A 18.357%; K3-A 10.384%; Q4-B 17.105%; Q1-B 4.95%.

13. Interests in fields L12-B, L12-C & L15-A have been unitised. The 2014 producing interest is 16.13807%.

14. Tullow has agreed the sale of its interests in Blocks L12a, L12b, L12c, L12d, L15b, Q4 & Q5d to AU Energy BV. The deal is subject to Government approval.

15. Interests in blocks K7, K8, K11, K14a, K15 and L13 have been unitised. The six blocks are known as the Joint Development Area (JDA).

16. RWE are to acquire 30% in licence following completion of farm-in agreement with Repsol. The deal is subject to Government approval.

Supplementary Information
COMMERCIAL RESERVES AND CONTINGENT RESOURCES SUMMARY (UNAUDITED) WORKING INTEREST BASIS

	West and North Africa		South and East Africa		Europe, South America and Asia		Total		
	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Petroleum mmboe
Commercial reserves									
31 December 2013	326.0	175.9	–	–	1.3	154.6	327.3	330.5	382.4
Revisions	(4.2)	(9.1)	–	–	(0.2)	(27.8)	(4.4)	(36.9)	(10.5)
Transfer from CR	–	–	–	–	(0.6)	(37.6)	(0.6)	(37.6)	(6.9)
Disposals	8.2	–	–	–	–	(2.3)	8.2	(2.3)	7.8
Production	(22.7)	(2.7)	–	–	(0.2)	(24.6)	(22.9)	(27.3)	(27.5)
31 December 2014	307.3	164.1	–	–	0.3	62.3	307.6	226.4	345.3
Contingent resources									
31 December 2013	105.5	1,228.4	519.3	363.0	108.2	168.7	733.0	1,760.1	1,026.4
Revisions	13.9	(342.0)	(4.0)	(351.9)	(14.0)	(0.2)	(4.1)	(694.1)	(119.8)
Additions	2.7	–	16.5	–	9.0	56.6	28.2	56.6	37.6
Disposals	(7.0)	(54.2)	–	–	(1.7)	(61.9)	(8.7)	(116.1)	(28.1)
Transfers to commercial reserves	(8.2)	–	–	–	–	2.3	(8.2)	2.3	(7.8)
31 December 2014	106.9	832.2	531.8	11.1	101.5	165.5	740.2	1,008.8	908.3
Total									
31 December 2014	414.2	996.3	531.8	11.1	101.8	227.8	1,047.8	1,235.2	1,253.6

1. Proven and Probable Commercial Reserves are based on a Group reserves report produced by an independent engineer. Reserves estimates for each field are reviewed by the independent engineer based on significant new data or a material change with a review of each field undertaken at least every two years.
2. Proven and Probable Contingent Resources are based on a Group reserves report produced 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 West and North Africa revisions to gas contingent resources relate to the relinquishment of Banda (Mauritania).
4. The West and North Africa disposal to contingent resources relates to CI-130 (Cote d'Ivoire).
5. The South and East Africa revisions to gas contingent resources relate to the relinquishment of Kudu (Namibia).
6. Europe, South America and Asia disposals relate to the farm down of Schooner and Ketch (UK) and the disposal of Brage (Norway).

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 321.0 mmboe at 31 December 2014 (31 December 2013: 349.1 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.

Transparency Disclosure

The Reports on Payments to Governments Regulations (UK Regulations) came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The regulations implement Chapter 10 of EU Accounting Directive (2013/34/EU).

The UK Regulations have an effective date of 1 January 2015, but Tullow were early adopters of the EU Directive and published our tax payments to governments in full, in its 2013 Annual Report and Accounts. The 2014 disclosure remains in line with the EU Directive and UK Regulations and we have provided additional voluntary disclosure on VAT, stamp duty, withholding tax, PAYE and other taxes.

The payments disclosed are based on where the obligation for the payment arose: Payments raised at a project level have been disclosed at a project level and payments raised at a corporate level have been disclosed on that basis. However, where a payment or a series of related payments do not exceed £86,000, they are disclosed at a corporate level, in accordance with the UK Regulations. The voluntary disclosure has been prepared on a corporate level.

All of the payments disclosed in accordance with the Directive have been made to National Governments, either directly or through a Ministry or Department of the National Government with the exception of Ghana payments in respect of production entitlements and licence fees which are paid to the Ghana National Oil Company.

Our total economic contribution to all stakeholders can be found on page 48. Detailed disclosure on our 2014 tax payments can be found on pages 170 to 171.

Production entitlements in barrels – includes non-cash royalties and state non-participating interest paid in barrels of oil or gas out of Tullow's working interest share of production in a licence. The figures disclosed are produced on an entitlement basis rather than a liftings basis. It does not include the Government's or NOC's working interest share of production in a licence. Production entitlements have been multiplied by the Group's 2014 average realised oil price \$97.5/bbl.

Income taxes – This represents cash tax calculated on the basis of profits including income or capital gains. Income taxes are usually reflected in corporate income tax returns. The cash payment of income taxes occurs in the year in which the tax has arisen or up to one year later. Income taxes also include any cash tax rebates received from the government or revenue authority during the year. Income taxes do not include fines and penalties.

Royalties – This represents cash royalties paid to governments during the year for the extraction of oil or gas. The terms of the royalties are described within our PSCs and can vary from project to project within one country. Royalties paid in kind have been recognised within the production entitlements category. The cash payment of royalties occurs in the year in which the tax has arisen.

Bonus payments – This represents any bonus paid to governments during the year, usually as a result of achieving certain milestones, such as a signature bonus, POD bonus or a production bonus.

Licence fees – This represents licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

Infrastructure improvement payments – This represents payments made in respect of infrastructure improvements for projects that are not directly related to oil and gas activities during the year. This can be a contractually obligated payment in a PSC or a discretionary payment for building/improving local infrastructure such as roads, bridges, ports, schools and hospitals.

VAT – This represents net cash VAT received from/paid to governments during the year. The amount disclosed is equal to the VAT return submitted by Tullow to governments with the cash payment made in the year the charge is borne. It should be noted the operator of a joint venture typically makes VAT payments in respect of the joint venture as a whole and as such where Tullow has a non-operated presence in a country limited VAT will be paid.

Stamp Duty – This includes taxes that are placed on legal documents usually in the transfers of assets or capital. Usually these taxes are reflected in stamp duty returns made to governments and are paid shortly after capital or assets are transferred.

Withholding tax (WHT) – This represents tax charged on services, interest, dividends or other distributions of profits. The amount disclosed is equal to the WHT return submitted by Tullow to governments with the cash payment made in the year the charge is borne. It should be noted the operator of a joint venture typically makes WHT payments in respect of the joint venture as a whole and as such where Tullow has a non-operated presence in a country limited WHT will be paid.

PAYE & national insurance – This represents payroll and employer taxes paid (such as PAYE and national insurance) by Tullow as a direct employer. The amount disclosed is equal to the return submitted by Tullow to governments with the cash payment made in the year the charge is borne.

Carried interests – This comprises payments made under a carrying agreement or PSC/PSA, by Tullow for the cash settlement of costs owed by a government or national oil company for their equity interest in a licence.

Customs duties – This represents cash payments made in respect of customs/excise/import and export duties made during the year including items such as railway levies. These payments typically arise through the import/transportation of goods into a country with the cash payment made in the year the charge is borne.

Training allowances – This comprises payments made in respect of training government or national oil company staff. This can be in the form of mandatory contractual requirements or discretionary training provided by a company.

Supplementary Information
TRANSPARENCY DISCLOSURE 2014 (UNAUDITED)

European transparency directive disclosure

Licence / Company level	Production entitlements bbls (000)	Production entitlements US\$ (000)	Income taxes US\$ (000)	Royalties (cash only) US\$ (000)	Dividends US\$ (000)	Bonus payments US\$ (000)	Licence fees US\$ (000)	Infrastructure improvement payments US\$ (000)
M'Boundi	282	-	-	-	-	-	-	-
Total Congo	282	-	-	-	-	-	-	-
CI-103	-	-	-	-	-	-	-	256
CI-26 Espoir	203	15,112	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	-	207
Total Côte d'Ivoire	203	15,112	-	-	-	-	-	463
Ceiba	230	-	-	-	-	-	-	-
Okume Complex	521	-	-	-	-	-	-	-
Corporate	-	-	43,659	-	-	-	-	-
Total Equatorial Guinea	751	-	43,659	-	-	-	-	-
Echira	-	-	-	2,166	-	-	-	-
Etame	-	-	-	5,612	-	-	-	-
Limande	-	-	-	7,157	-	-	-	-
Niungo	-	-	-	5,404	-	-	-	-
Tchatamba	-	-	-	13,315	-	-	-	-
Turnix	-	-	-	1,333	-	-	-	-
Corporate – Tullow Oil Gabon SA	-	-	44,184	-	-	-	34	-
Oba	-	-	-	1,946	-	-	-	-
Corporate – Tulipe Oil SA	-	-	5,071	-	-	-	-	-
Total Gabon	-	-	49,255	36,933	-	-	34	-
Jubilee	658	-	-	-	-	-	-	1,649
Company level	-	-	114,988	-	-	-	52	524
Total Ghana	658	-	114,988	-	-	-	52	2,173
Company level	-	-	-	-	-	-	-	43
Total Guinea	-	-	-	-	-	-	-	43
Block C-6	-	-	-	-	-	8,800	-	-
Block C-10	-	-	-	-	-	4,929	-	-
PSC B (Chinguetti EEA)	61	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	51	-
Total Mauritania	61	-	-	-	-	13,729	51	-
South Omo	-	-	-	-	-	-	176	262
Corporate	-	-	-	-	-	-	-	64
Total Ethiopia	-	-	-	-	-	-	176	326
Corporate	-	-	-	-	-	-	158	732
Total Kenya	-	-	-	-	-	-	158	732
Block 3111	-	-	-	-	-	-	150	-
Corporate	-	-	-	-	-	-	15	-
Total Madagascar	-	-	-	-	-	-	165	-
Corporate	-	-	1	-	-	-	-	-
Total Mozambique	-	-	1	-	-	-	-	-
Corporate	-	-	-	-	-	-	100	50
Total Namibia	-	-	-	-	-	-	100	50
Corporate	-	-	670	-	-	-	-	-
Total South Africa	-	-	670	-	-	-	-	-
Corporate	-	-	-	-	-	-	11	-
Total Uganda	-	-	-	-	-	-	11	-
Corporate	-	-	-	-	-	-	-	-
Total Canada	-	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	-	-
Total Ireland	-	-	-	-	-	-	-	-
Walton Morant	-	-	-	-	-	-	128	-
Corporate	-	-	-	-	-	-	-	-
Total Jamaica	-	-	-	-	-	-	128	-
Corporate	-	-	6,157	-	-	-	654	-
Total Netherlands	-	-	6,157	-	-	-	654	-
Corporate	-	-	(198,764)	-	-	-	-	-
Total Norway	-	-	(198,764)	-	-	-	-	-
Corporate	-	-	-	-	-	-	20	14
Total Pakistan	-	-	-	-	-	-	20	14
Corporate	-	-	-	-	-	-	-	-
Total Suriname	-	-	-	-	-	-	-	-
Murdoch	-	-	-	-	-	-	275	-
Ketch	-	-	-	-	-	-	763	-
Schooner	-	-	-	-	-	-	1,002	-
Corporate	-	-	6,369	-	-	-	571	-
Total UK	-	-	6,369	-	-	-	2,611	-
Corporate	-	-	-	-	-	-	-	-
Total Uruguay	-	-	-	-	-	-	-	-
TOTAL	1,955	15,112	22,335	36,933	-	13,729	4,160	3,801

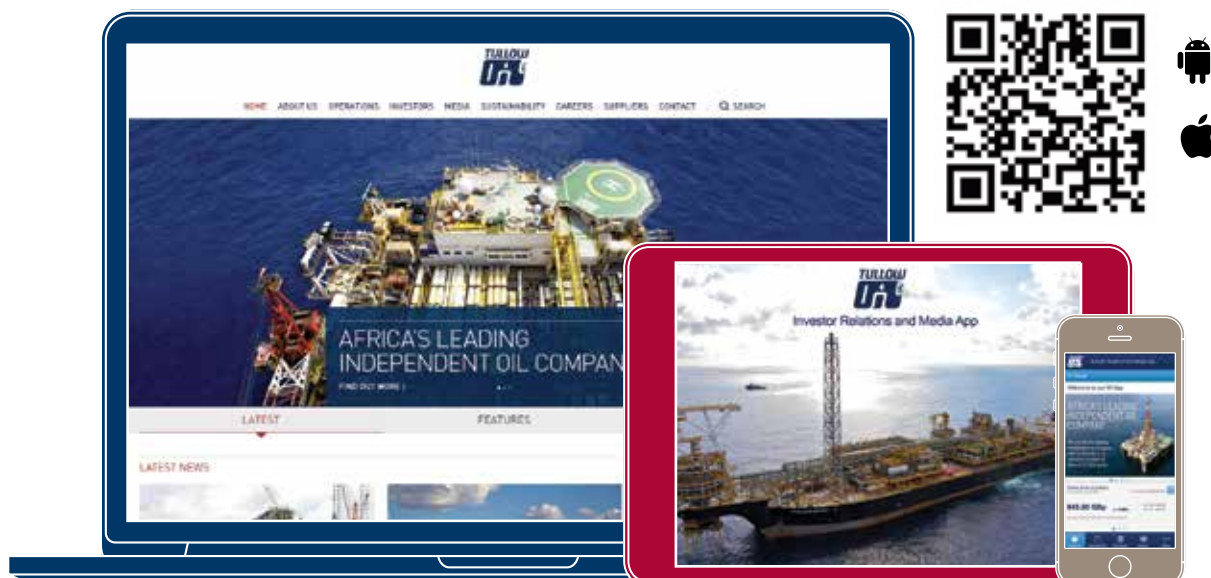
Supplementary Information
GLOSSARY

AGM	Annual General Meeting
AFS	Available for sale
bbl	Barrel
bcf	Billion cubic feet
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
¢	Cent
Capex	Capital expenditure
CMS	Caister Murdoch System
CMS III	A group development of five satellite fields linked to CMS
CNOOC	China National Offshore Oil Corporation
COBC	Code of Business Conduct
CSO	Civil Society Organisations
D&O	Development and Operations
DD&A	Depreciation, Depletion and Amortisation
DEFRA	Department for Environmental Food & Rural Affairs
DoA	Delegation of Authority
DSBP	Deferred Share Bonus Plan
E&E	Exploration and Evaluation
E&A	Exploration and Appraisal
E&P	Exploration and Production
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECB	European Central Bank
EHS	Environment, Health and Safety
EITI	Extractive Industries Transparency Initiative
ESOS	Executive Share Option Scheme
FEED	Front End Engineering and Design
FID	Final Investment Decision
FFD	Full Field Development
FPSO	Floating Production Storage and Offloading vessel
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FTSE 100	Equity index whose constituents are the 100 largest UK listed companies by market capitalisation
FVTPL	Fair Value Through Profit or Loss
GARP	Growth at a reasonable price
GELT	Global Exploration Leadership Team
GDP	Gross domestic product
GHG	Greenhouse gas
GNPC	Ghana National Petroleum Corporation Group Company and its subsidiary undertakings
GSE	Ghana Stock Exchange
HIPO	High Potential Incident
HR	Human Resources
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIA	Invest in Africa
ILO	International Labour Organisation

IMS	Integrated Management System
IOC	International oil company
IOGP	International Association of Oil & Gas Producers
IR	Investor Relations
km	Kilometres
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LTi	Lost Time Injury
LTIFR LTI	Frequency Rate measured in LTIs per million hours worked
M&A	Mergers & Acquisitions
MSF	Multi-stakeholder forum
mmbbl	Million barrels
mmboe	Million barrels of oil equivalent
mmscfd	Million standard cubic feet per day
MoU	Memorandum of Understanding
MTM	Mark-to-Market
NGO	Non-Governmental Organisation
NTR	Non-technical risk
Opex	Operating expenses
p	Pence
PAYE	Pay As You Earn
PoD	Plan of Development
PP&E	Property, plant and equipment
PRT	Petroleum Revenue Tax
PSA	Production Sharing Agreement
PSC	Production Sharing Contract
PSP	Performance Share Plan
SCT	Supplementary Corporation Tax
SID	Senior Independent Director
SEC	Securities & Exchange Commission
SIP	Share Incentive Plan
SMEs	Small-to-medium sized enterprises
SOP	Share Option Plan
SPA	Sale and Purchase Agreement
SPS	Subsea production system
Sq km	Square kilometres
SRI	Socially Responsible Investment
TEN	Tweneboa – Enyenra – Ntomme
TIP	Tullow Incentive Plan
TGSS	Tullow Group Scholarship Scheme
TSR	Total Shareholder Return
UKGAAP	UK Generally Accepted Accounting Practice
UNGP	United Nations Guiding Principles
URF	Umbilicals, Risers and Flowlines
URA	Ugandan Revenue Authority
VAT	Value Added Tax
VP	Vice President
WAEP	Weighted Average Exercise Price
Wildcat	Exploratory well drilled in land not known to be an oil field

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2014 Annual Report and Accounts
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Follow us



Secretary & registered office

Graham Martin
Tullow Oil plc
9 Chiswick Park
566 Chiswick High Road
London
W4 5XT
United Kingdom

Tel: +44 20 3249 9000

Fax: +44 20 3249 8801

To contact any of Tullow's principal subsidiary undertakings (listed on page 155), please find address details on www.tullowoil.com/contacts or send 'in care of' to Tullow's registered address.



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Designed and produced by **Black Sun Plc**

Printed by **Pureprint Group**



Tullow Oil plc

9 Chiswick Park
566 Chiswick High Road
London W4 5XT
United Kingdom

Tel: +44 (0)20 3249 9000

Fax: +44 (0)20 3249 8801

Email: info@tullowoil.com

Website: www.tullowoil.com

