

Tullow Oil plc

# OVERVIEW PRESENTATION

September 2016



# Disclaimer

This presentation contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business.

Whilst Tullow believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Group's control or within the Group's control where, for example, the Group decides on a change of plan or strategy.

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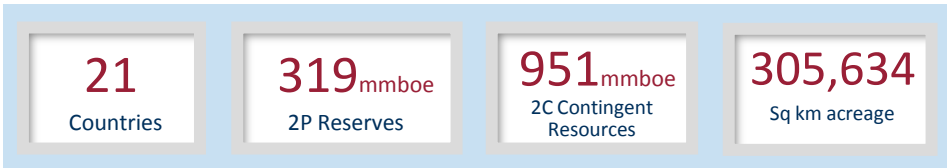


OVERVIEW PRESENTATION

# INTRODUCTION



# A leading global independent exploration & production company



Figures at HY 2016

## Established record of delivering successes

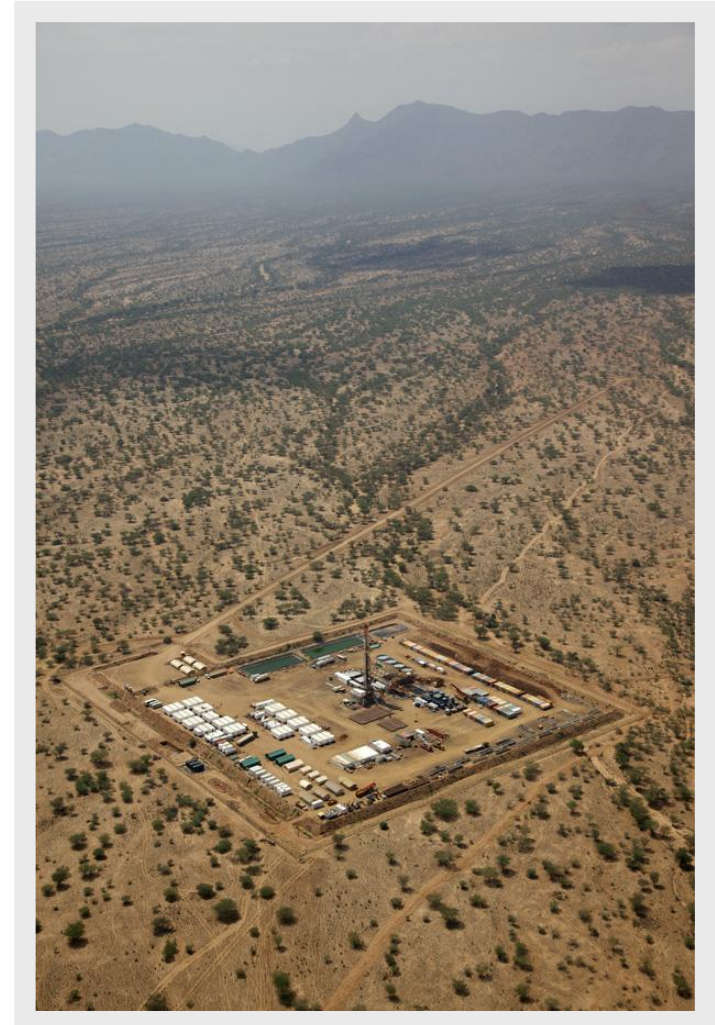
- The business has developed organically and through acquisitions since 1985
- Stable management team with decades of industry experience

## Diversified world-class asset base

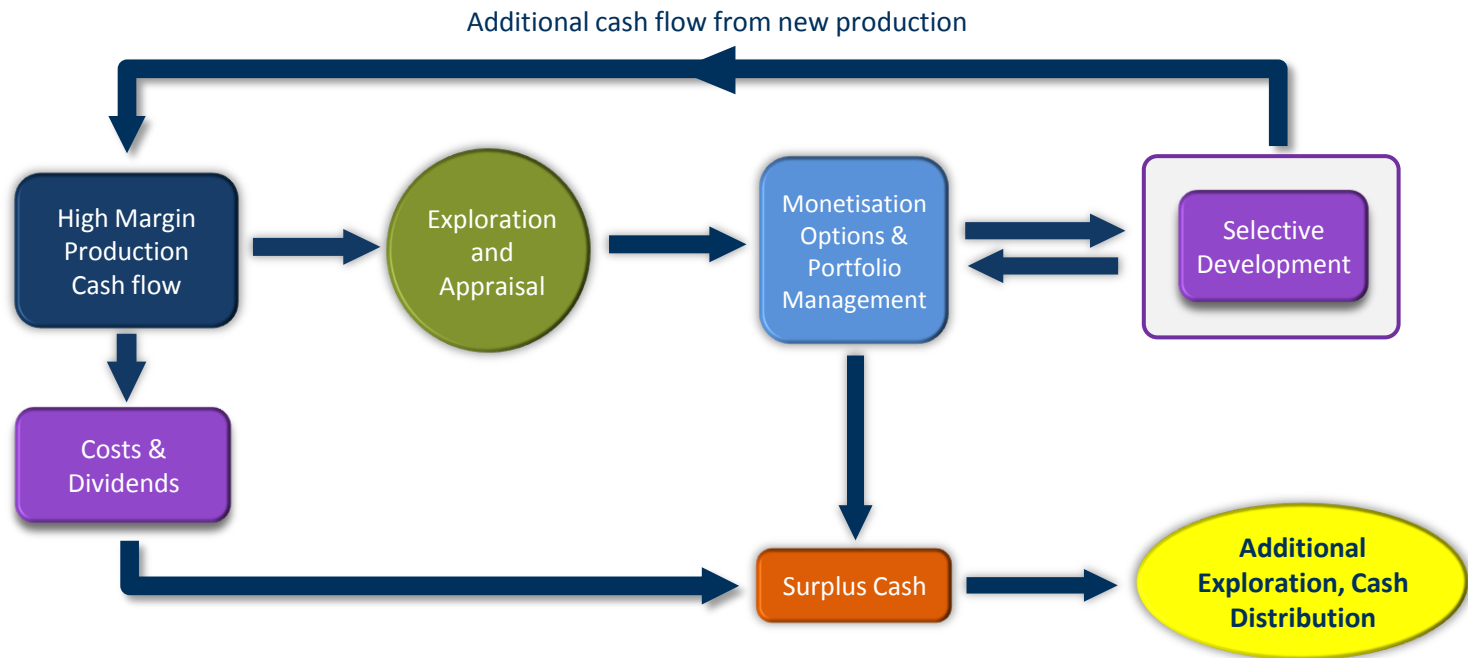
- Focus on Africa and the Atlantic Margins
- Over 120 licences across 21 countries
- Strategic positions in key petroleum basins

## Three core business delivery teams

- West Africa: Low-cost oil production from Ghana and non-operated West African portfolio
- East Africa: Significant oil discoveries in Kenya and Uganda, with future development potential
- New Ventures: Building, progressing and drilling of Tullow's frontier exploration portfolio



# The Tullow strategy



- Capital focus on low-cost West Africa oil assets generating material future cash flows
- Continue to build industry leading exploration portfolio in Africa and Atlantic Margins
- Exploration focused on high-impact, cost efficient, onshore and shallow water wells
- Strong balance sheet provides foundations to deliver long term value to shareholders

# A sustainable future production base



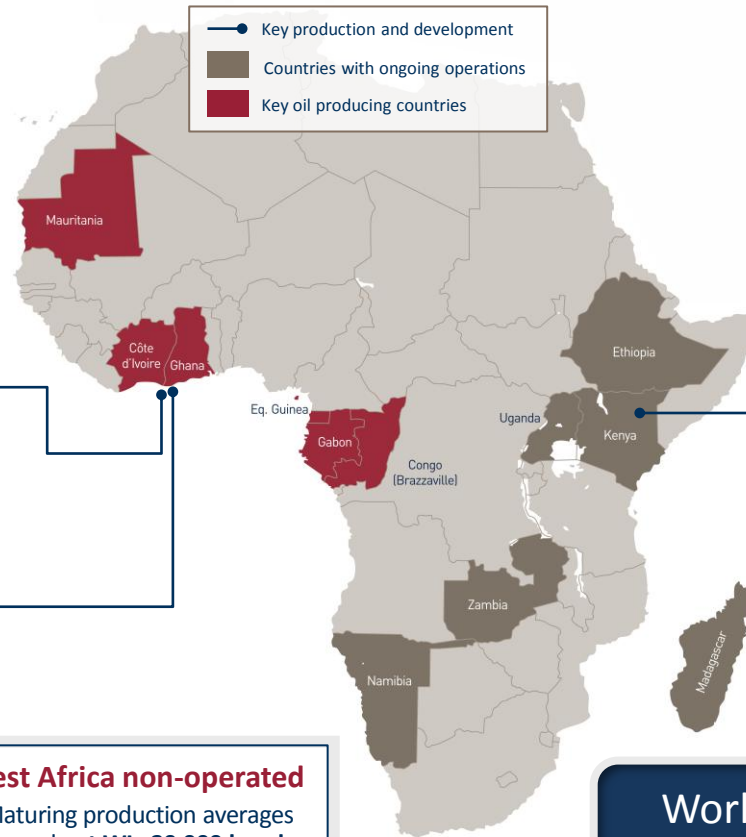
## TEN field

- First oil achieved in August 2016
- FPSO gross capacity of 80,000 bopd (**net WI ~35,000 bopd**)
- Gross production forecasts of c.23,000 bopd in 2016 and c.65,000 bopd in 2017



## Jubilee field

- FPSO gross capacity of 120,000 bopd (**net WI ~40,000 bopd**)
- Potential to sustain production through 2020+ with GJFFD incremental investment opportunities



## East Africa Development

- Progressing two independent development projects
- 1.7bn bbls of discovered resources in Uganda, appraisal complete
- 750m bbls of discovered resources in Kenya, with 1bn bbls potential
- At current equity, gross production from both countries of ~300,000 bopd (**net WI ~100,000 bopd**).

## West Africa non-operated

- Maturing production averages around **net WI ~30,000 bopd**
- Reduced investment in low oil price environment optimises cash flow
- Potential to sustain production with incremental investments

World-class assets with low cost of supply provide significant portfolio opportunities

# Well-positioned for growth

## Decisive action taken

### Re-set to deal with low oil prices:

Moved early and decisively; cut capex, costs, headcount, dividend

Focused on low cost West African production

Maintained strong hedging programme

Retain strong banking relationships and liquidity

**2014 / 15**

## Financially robust

### Step change for Tullow with TEN first oil:

Increase in oil production and revenue with TEN start-up on budget and on schedule

Profitable in 1H 2016 despite challenging environment

Free cash flow generated from Q4 2016 even at low oil prices

Long-term solution identified at Jubilee; insurers notified

**2016**

## Fit for new oil era

### Flexible portfolio with major growth potential:

Profitable, low cost cashflow from West Africa

Low cost development options across Africa

Attractive exploration opportunities in Africa/S.America

Ability to match capex to oil price environment

Diversified balance sheet with a range of deleveraging options

**2017+**



OVERVIEW PRESENTATION

# FINANCE



# Proactive financial management

## Realising the benefits of early actions

Significant cost savings	<ul style="list-style-type: none"> <li>• Gross G&amp;A of \$215m, down 32% from 1H 2015</li> <li>• Net admin expenses of \$69m, down 31% from 1H 2015</li> <li>• Good progress on underlying operating costs</li> </ul>
Capex reductions	<ul style="list-style-type: none"> <li>• Capex c.\$1.0bn forecast for 2016 (down 41% vs FY 2015); significantly lower run rate post TEN completion</li> </ul>

## Financial resilience despite low oil price and operational challenges

A profitable period	<ul style="list-style-type: none"> <li>• \$30m profit after tax despite lower oil prices and reduced Jubilee production</li> </ul>
New production	<ul style="list-style-type: none"> <li>• TEN Project first oil on 18 August, ramping up in 2H 2016</li> </ul>
Hedge & Insurance protection	<ul style="list-style-type: none"> <li>• Continued benefits of long-term hedging programme; Mark-to-Market position of \$322m at 30 June 2016</li> <li>• Insurance in place for Jubilee turret</li> </ul>

## Capex flexibility and liquidity management

Capex flexibility	<ul style="list-style-type: none"> <li>• Base capex of less than \$300m in 2017</li> </ul>
Bank facilities	<ul style="list-style-type: none"> <li>• Successful RBL redetermination 1H 2016; RCF facility extended to 2018</li> </ul>
Convertible bond	<ul style="list-style-type: none"> <li>• Further debt diversification with \$300m convertible bond</li> </ul>

Decisive actions taken to manage costs, hedge volatility and to further diversify sources of funding and increase liquidity; Headroom plus free cash of \$1.0bn (\$1.3bn including the convertible bond)

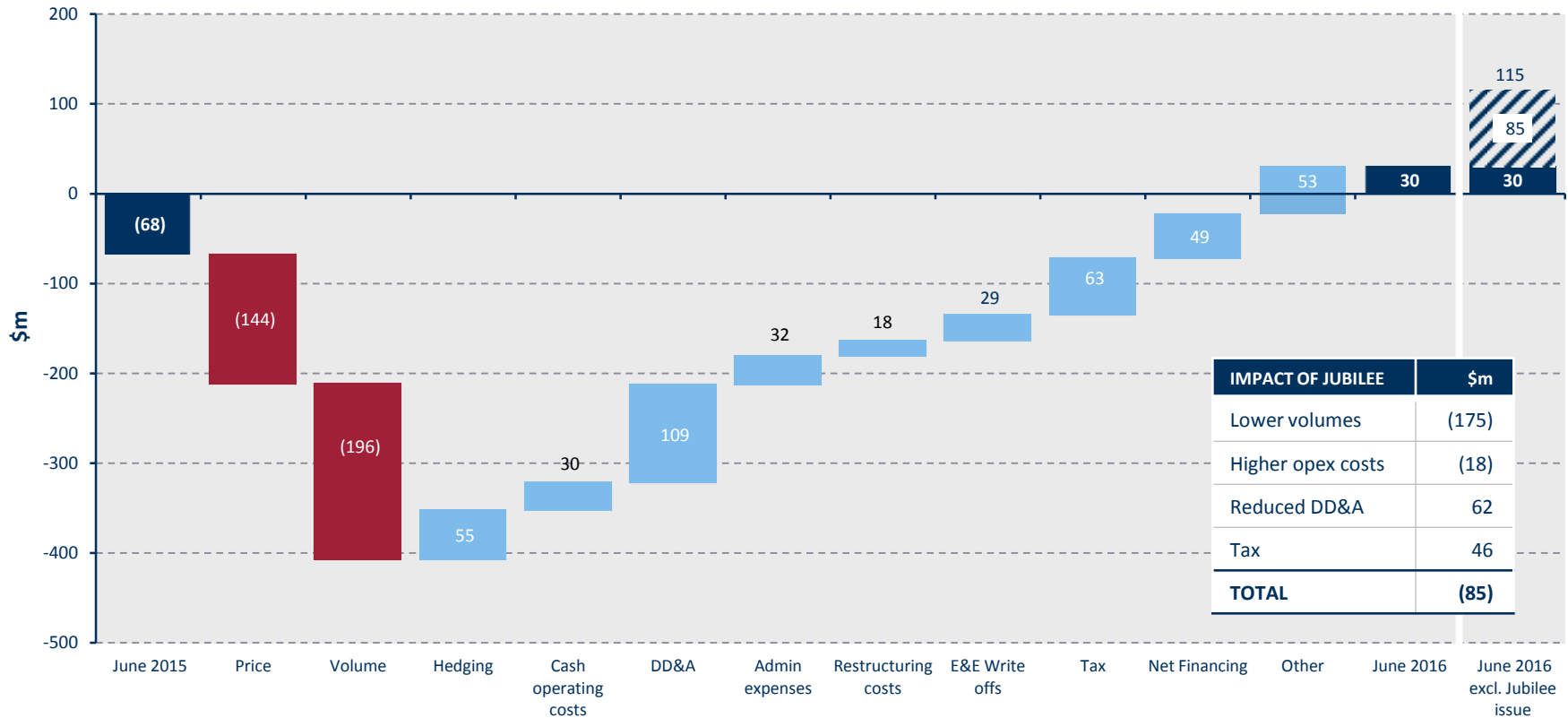
# 2016 Half Year Results Summary

	1H 2016 (\$m)	1H 2015 (\$m)
<b>Sales revenue</b>	541	820
<b>Gross profit</b>	182	342
<i>Administrative expenses</i>	(69)	(100)
<i>Restructuring costs</i>	(7)	(25)
<i>Loss on disposal</i>	(3)	(44)
<i>Exploration costs written off<sup>1</sup></i>	(59)	(88)
<i>Impairment of property, plant and equipment</i>	-	11
<i>Provision for onerous contracts</i>	(17)	-
<b>Operating profit</b>	27	97
<b>Profit/(loss) before tax</b>	24	(10)
<i>Uganda CGT charge</i>	-	(108)
<i>Other tax credits</i>	6	50
<b>Profit/(loss) after tax</b>	30	(68)
<b>Capital investment</b>	589	783
<b>Cash generated from operations<sup>2</sup></b>	256	515
<b>Net debt<sup>3</sup></b>	4,721	3,610

<sup>1</sup> Before tax refunds <sup>2</sup>Before working capital movements <sup>3</sup>Net debt is financial liabilities less cash and cash equivalents

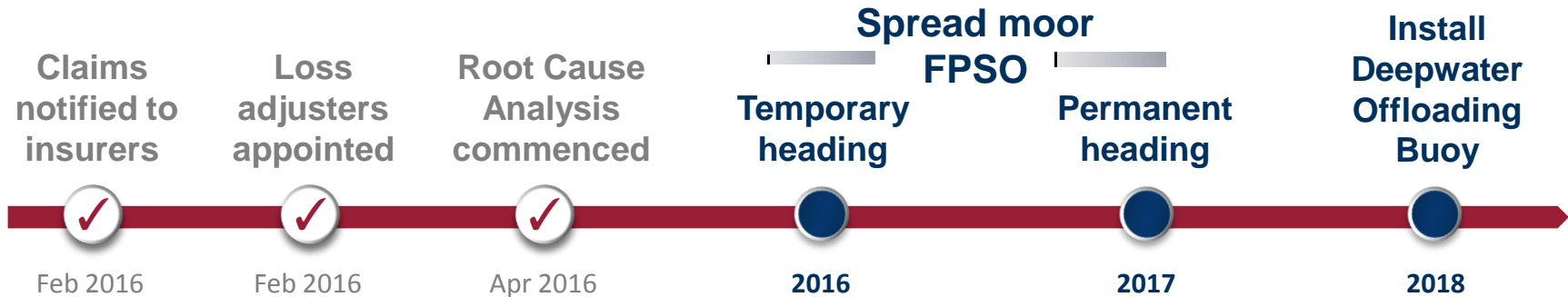
Tullow profitable despite lower prices and reduced Jubilee production

# Generated first half profit in a challenging environment



Profit after tax for 1H 2016 despite lower realised prices and reduced production. Performance supported by reduced costs / DD&A plus hedging and FX gains.

# Jubilee turret insurance expectations



## Costs (Tullow net) – Hull & Machinery cover

Capex + Opex indicative claim	c.\$75m	c.\$115m	c.\$30m
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## Business Interruption cover\*

Shut-in	3 weeks @ ~50% prodn	8 – 12 weeks	4 – 6 weeks
Average gross production forecast (bopd)	c.74,000	c.70,000	c.93,000

## Insurance Recovery Process

Expected timing of insurance receipts	2H 2016	As costs / losses are incurred
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**Financial impact expected to be covered by comprehensive insurance programme**

\* Business Interruption cover:  
 A) Includes the above estimated shut-down periods plus impact of revised operating procedures  
 B) Claim from end May 2016, post 60 day deductible period

# Industry leading hedge position

## Hedge strategy unchanged

- Tullow has proactively hedged production to protect revenues over the last 10 years
- Significant liquidity benefit through protecting future revenues and generating RBL debt capacity
- Prudent during periods of higher development spend, allows business time to adjust to market volatility

## Current oil hedge portfolio

- MTM value as at 30 June 2016: \$322m
- 70% of 2016 oil entitlement volumes hedged at c.\$74/bbl
- Hedge by purchasing a mix of Dated Brent options (puts, collars, 3-way collars)
- Tullow further differentiated by 2017 hedging position

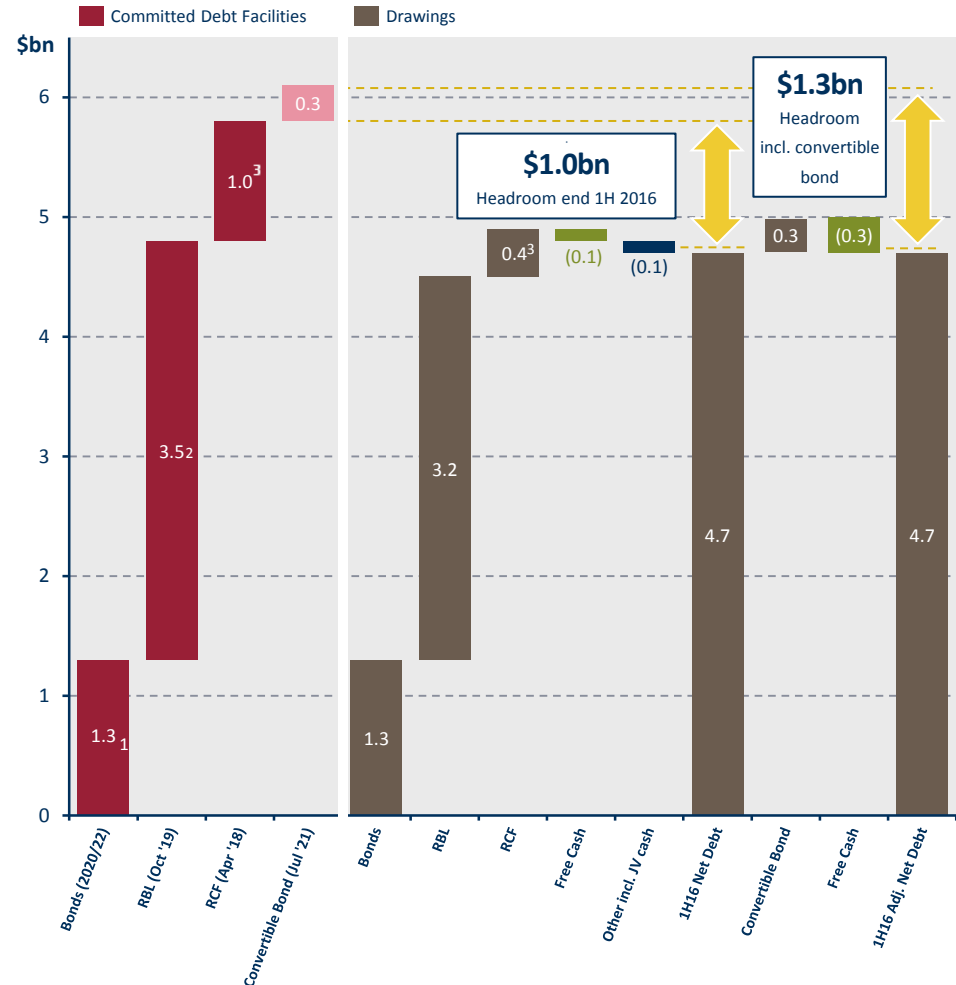
Hedge Position (as at 30 June 2016)	2H 2016	2017	2018
Oil Volume (bopd)	38,500	31,000	10,500
Average floor price protected (\$/bbl)	74.28	65.30	60.47
MTM value at 30 June 2016 (\$m)	150	146	26

Significantly mitigated lower oil prices during the TEN development; forward cover also in place

# Managing balance sheet, debt diversification and liquidity

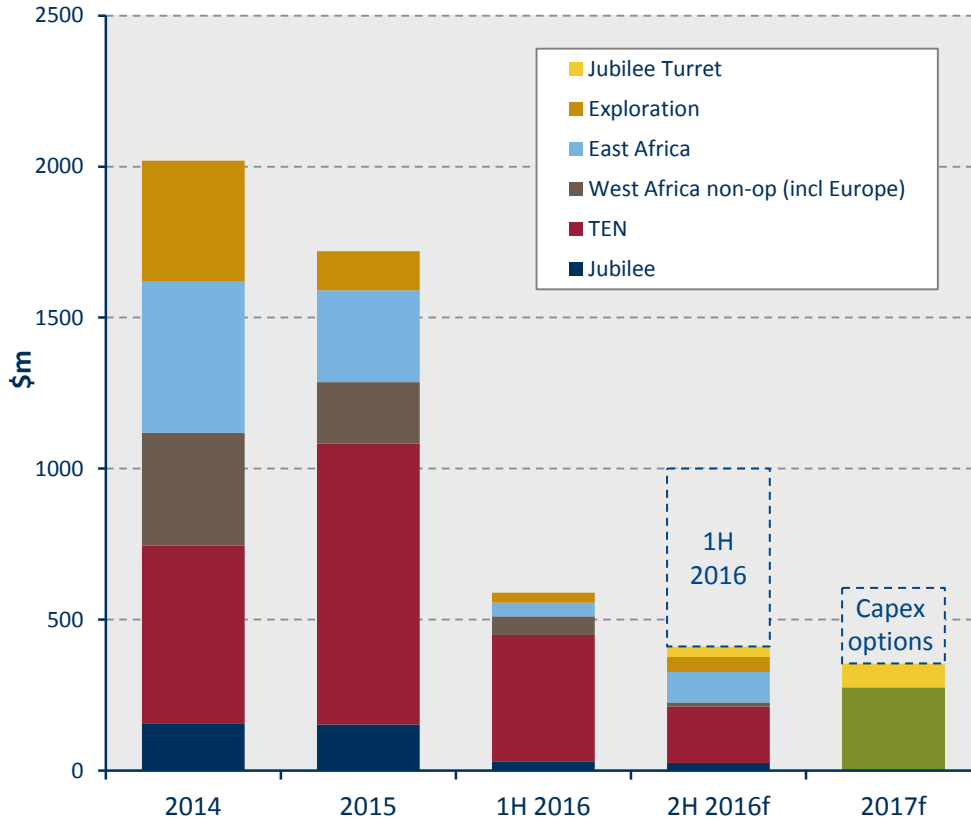
<b>Overall liquidity</b>	<ul style="list-style-type: none"> <li>• \$1.0bn facility headroom plus free cash at mid-year 2016 (\$1.3bn including the \$300m convertible bond)</li> </ul>
<b>RBL</b>	<ul style="list-style-type: none"> <li>• Successful March 2016 semi-annual redetermination</li> <li>• c.\$200m excess commitments cancelled in April, Commitment amortisation c.\$250m in October</li> <li>• Refinancing expected ahead of further commitment amortisations from April 2017</li> </ul>
<b>Corporate Facility</b>	<ul style="list-style-type: none"> <li>• 12 month extension of maturity to April 2018</li> <li>• Commitments reduce to \$800m from April 2017</li> <li>• \$200m accordion feature agreed</li> </ul>
<b>Covenants</b>	<ul style="list-style-type: none"> <li>• Further amendment to the financial covenant on the RBL / RCF agreed in April 2016</li> </ul>
<b>Public debt</b>	<ul style="list-style-type: none"> <li>• \$300m convertible bond issued, tactical diversification; further strengthens balance sheet and extends debt maturity profile</li> </ul>

Balance sheet and liquidity underpinned by diversified debt capital structure and long-standing bank relationships



(1) Two High Yield Bonds each at \$650m (Nov 2020, April 2022);  
 (2) Reserve Based Lend facility, 6 monthly amortisation from Oct 2016  
 (3) Revolving Corporate Facility, reduces to \$800m in April 2017; \$200m accordion feature agreed

# Significant Capex reduction in 2017 post TEN project



## 2016 Capex of c.\$1bn

- Includes Jubilee turret project c.\$35m
- Final year of TEN first oil capex of c.\$600m

## 2017 Capex reduction

- Low oil price, near term cash flow management scenario c.\$275m
  - West Africa c.\$100m
  - East Africa c.\$100m
  - Exploration c.\$75m
- Jubilee turret project estimated at c.\$80m
- Additional Capex options of up to c.\$250m
  - Jubilee infill drilling c.\$75m
  - Progressing East Africa c.\$100m
  - Exploration c.\$75m
- Expectation of positive FCF in 2017 at \$50/bbl using higher additional capex scenario

Notes:  
 i) Exploration expenditure is net of Norwegian tax refund  
 ii) Capital costs exclude decommissioning costs and onerous rig contracts

Ability to adjust future capex to reflect oil price and market conditions

# Financial strategy provides flexibility for future growth

## Financial resilience

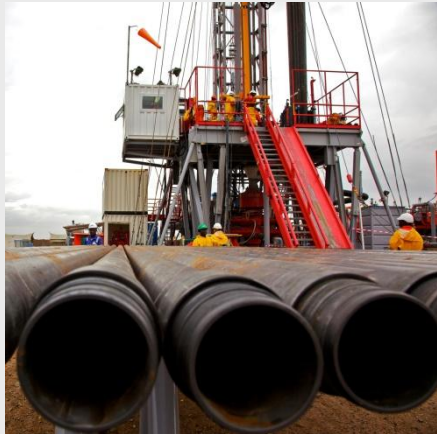
- Continuing to drive down Opex and G&A
- Significant hedging in place for 2H 2016 and 2017
- Capex flexibility post TEN; 2017 potential below c.\$300m
- Jubilee turret project being managed; insurance in place
- TEN field first oil on 18 August 2016

## Prioritising deleveraging

- Free cash flow positive from 4Q 2016
- Continuing to pursue portfolio management options
- Target NET DEBT / EBITDA <2.5X over time

## Managing liquidity

- \$1.0bn headroom plus free cash end 1H 2016 (\$1.3bn including the convertible bond)
- Quality assets and diversified debt capital structure
- Supportive relationships with banks and bond holders



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# DEVELOPMENT & OPERATIONS



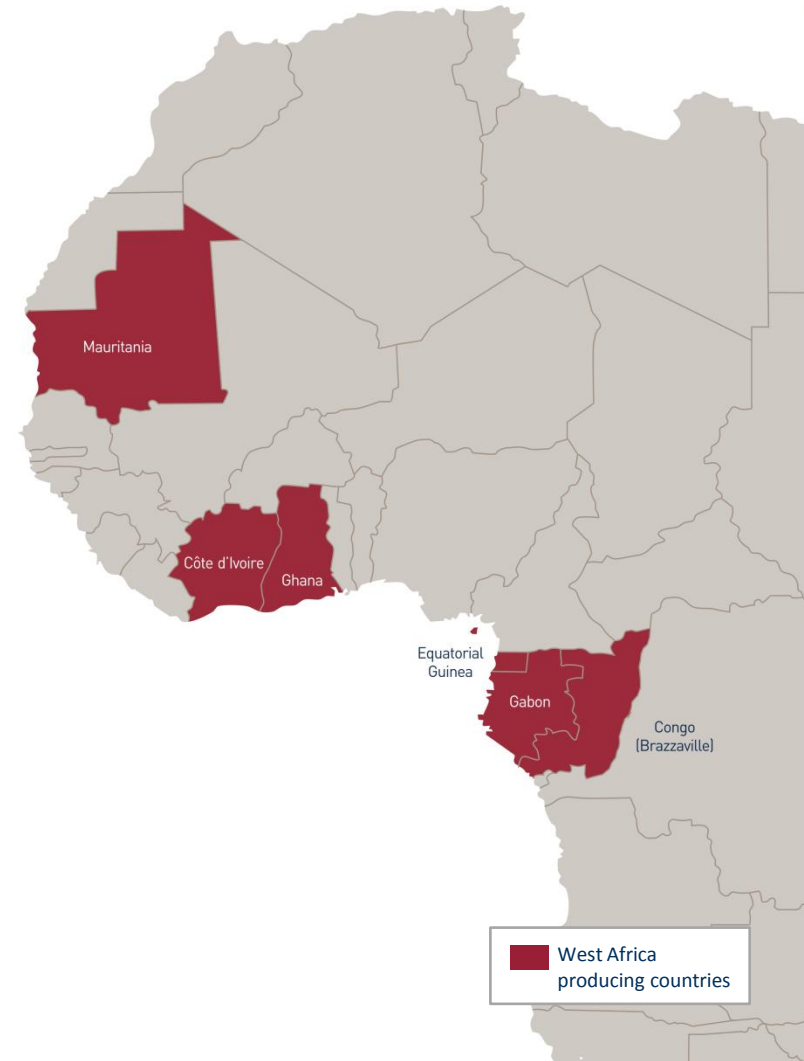
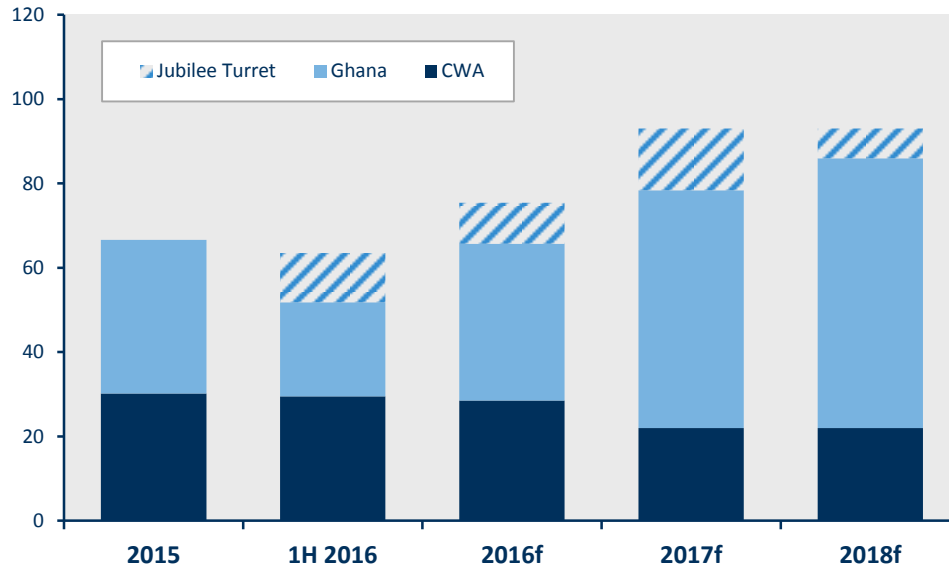
# Significant West African oil production growth post TEN

**1H 2016 West Africa oil production: 51,800 bopd**

**FY 2016 guidance: 62-68,000 bopd**

- *Jubilee turret project impacting physical production*

**West Africa Oil Production**

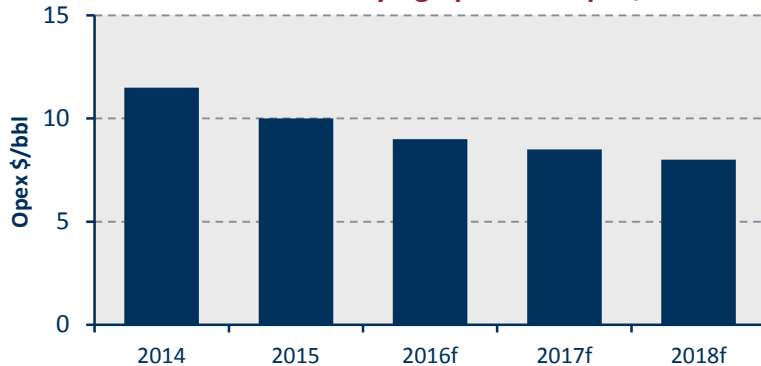


**1H 2016 Europe gas production: 6,600 bopd**

**FY 2016 guidance: 6-7,000 bopd**

# West Africa portfolio: low underlying opex and flexible capex

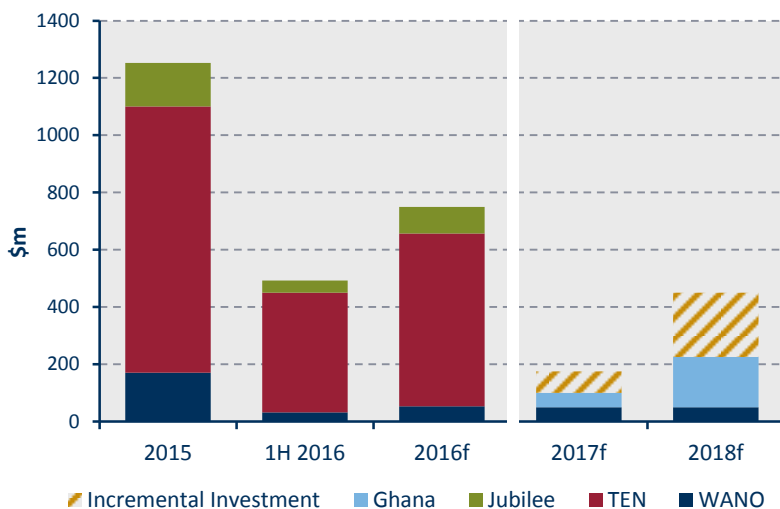
Ghana underlying operated Opex/bbl



## Strong underlying opex performance in Ghana

- Underlying Ghana opex reduced to ~\$9/bbl in 1H 2016
  - Contract renegotiations and efficiency improvements
- Targeting underlying Ghana opex in 2018 of ~\$8/bbl
  - Synergies of operating 2 fields
- Insurance claim covers Jubilee Turret incremental opex

Tullow West Africa net development capex



## West Africa capex flexibility post TEN

### Non-operated:

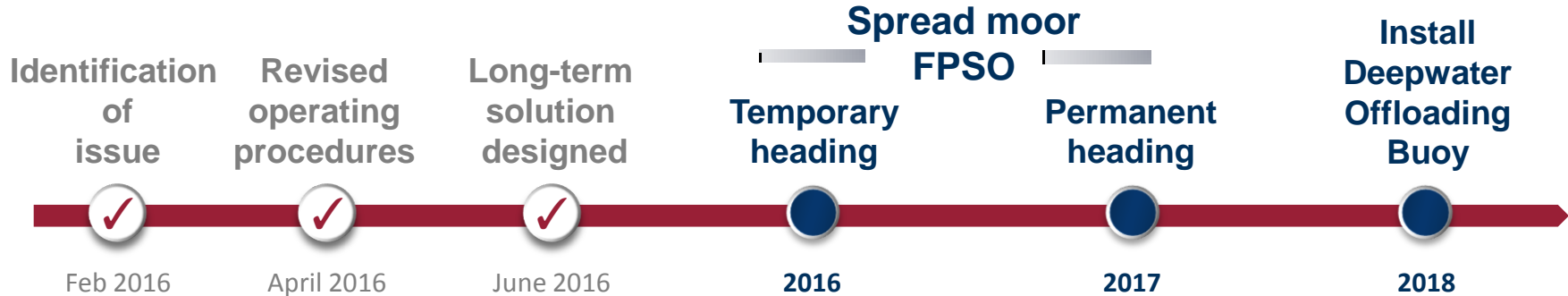
- 2016 portfolio capex reduced from \$100m to ~\$50m
- Investment opportunities exist to manage production decline

### Ghana:

- TEN capex:
  - 1H2016 – c.\$400m; 2H2016 – c.\$200m
  - 2017 TEN limited due to ITLOS
- Jubilee capex
  - 1H 2017 limited due to turret
  - 2H 2017 potential to restart infill drilling
- 2018+ significant investment opportunities across TEN/Jubilee

Note: Underlying Opex and Capex data excludes impact of Jubilee Turret project

# Jubilee turret project under way



## Costs

Gross Capex	c.\$85m	c.\$200m	c.\$50m
Gross Opex	c.\$115m	c.\$105m	c.\$35m

Tullow net paying capex/opex equity: 39.61% / 35.48%

## Production Impact

Shut-in	3 weeks @ ~50% prodn	8 – 12 weeks	4 – 6 weeks
Temporary capacity constraint (bopd)	~100,000	~100 – 110,000	~110 – 120,000
Average gross production forecast (bopd)	c.74,000	c.70,000	c.93,000

- Experienced project team in place, leveraging TEN team and processes
- Spread moor solution supported by Government of Ghana; approvals being progressed
- Opportunity being taken to pursue upgrades to FPSO; reservoir and well performance unaffected
- Working to return to normal production levels post permanent spread moor installation

# Jubilee – long-term asset with flexible investment opportunities

## Performance in 2016

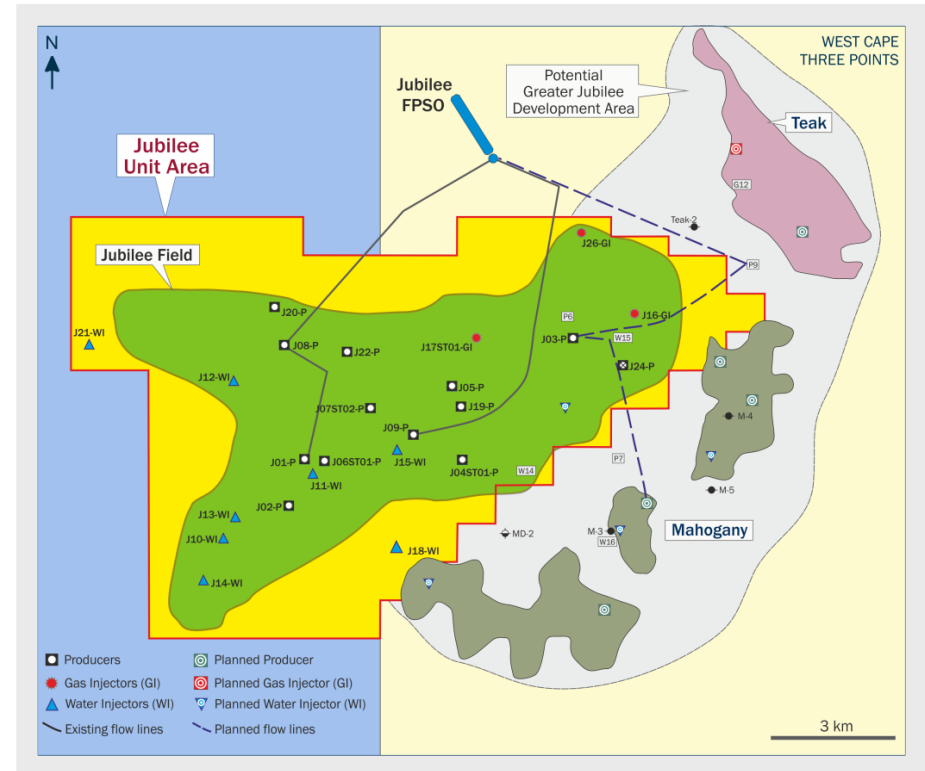
- 1H 2016 average gross production: 63 kbopd
- FY 2016 guidance: 74 kbopd (2H 2016: 85 kbopd)
- Gas exports continue to onshore processing facility

## Greater Jubilee Full Field Development

- GJFFD plan submitted to Government of Ghana Dec 2015
  - Development redesigned for current environment
  - Extends production plateau and increases reserves
  - External market increases flexibility on investment timing
- Targeting GJFFD plan approval mid-2017

## Ghana exploration opportunities

- Near-field Jubilee and TEN exploration potential to extend production plateau
- Broader exploration potential in Ghanaian acreage



# TEN Project – industry leading project execution

## First Oil achieved on 18 August 2016

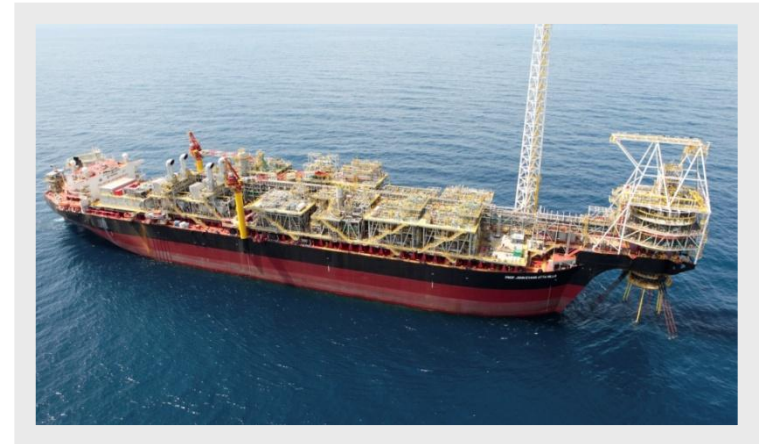
- Production steadily ramping up
- Project delivered on time and within budget

## Exceptional project delivery

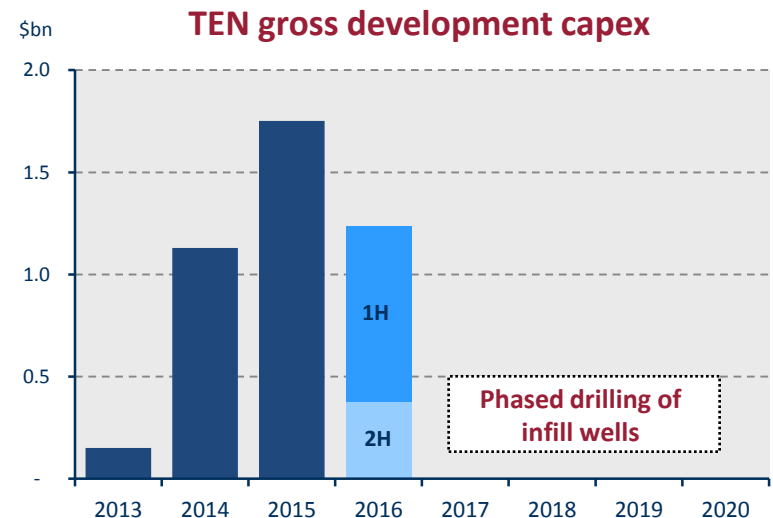
- Focused and empowered Tullow project team
- Robust project execution and contract plan at sanction
- Strong Government support and alignment
- Benchmarking data shows industry leading execution

## Production ramp up to FPSO capacity ~80 kbopd by around the end of 2016

- 23 kbopd average gross annualised production in 2016
- 65 kbopd average gross production in 2017
- Drilling to recommence post ITLOS decision in late 2017



Successfully delivered our 2<sup>nd</sup> major operated deepwater development



# Firming-up Kenya's oil resources ahead of development

## Appraisal to continue

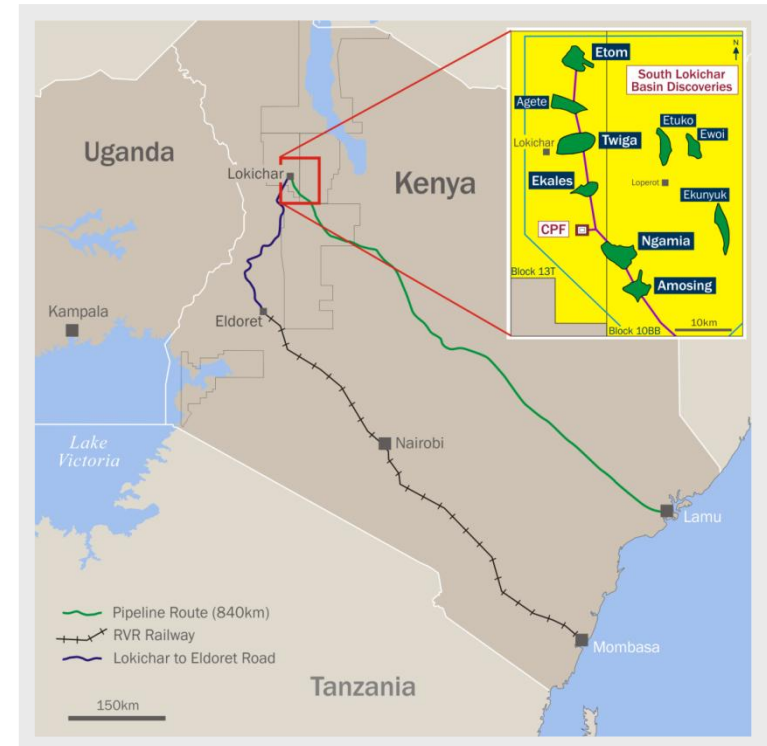
- South Lokichar resource - 750 mmbo; 1 bnbo upside
- Successful extended well tests in Amosing & Ngamia
- Water injection testing 3Q 2016
- 3D seismic highlights additional upside in Amosing & Ngamia
- Restart of Exploration and Appraisal drilling 4Q 2016

## Early Oil Pilot Scheme (EOPS)

- GoK support for c.2,000bopd pilot 2H 2017; road export
- Conventional low-cost, self-funding onshore production utilising existing infrastructure
- Provides valuable dynamic reservoir data
- Implementation experience will assist planning for FFD

## Full Field Development

- Targeting 80-120,000 bopd gross production via pipeline
- Environmental and Social Impact Assessment studies under way
- Expect to commence FEED in early 2017; FID 2018
- Full cycle cost \$25 to \$30 / bbl (capex, opex & tariff)

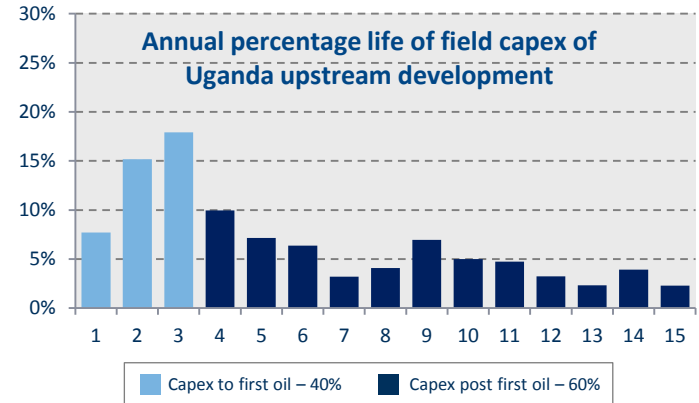


Pursuing upside volumes through E&A, de-risking FFD through EOPS and progressing FFD of low cost oil opportunity

# Progressing Uganda's Lake Albert basin development

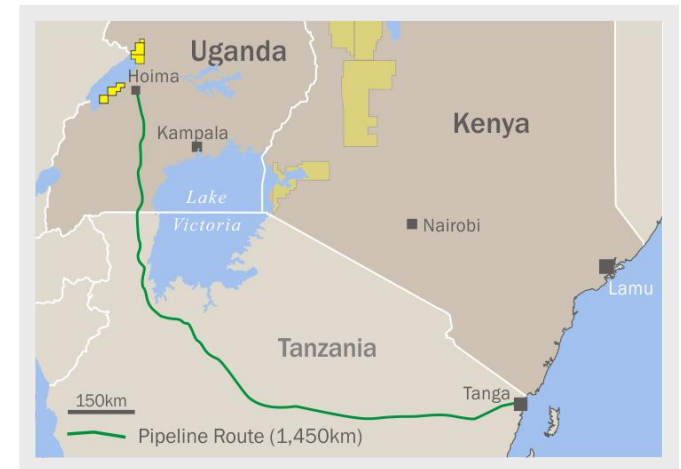
## Upstream developments progressing towards FEED

- Project definition is mature; de-risked resource of 1.7 billion barrels
- Targeting 200 to 230 kbpod production through pipeline
- Approval of Field Development Plans and award of production licences granted in August 2016
- Environmental and Social Impact Assessment under way
- Expect to commence FEED in early 2017; FID 2018
- Competitive low full cycle cost of c.\$25/bbl (capex, opex & tariff)



## Uganda – Tanzania pipeline

- Pipeline route from Hoima to Tanga port agreed
- Total & Governments of Uganda and Tanzania leading pipeline project
- Tariff cost to Tullow estimated to be \$10-12/bbl
- Good progress being made on pipeline development:
  - Pipeline corridor fieldwork under way
  - Legal advisors appointed
  - Commercial framework discussion under way
- Governments supporting land access and favourable fiscal framework
- Expect to commence FEED in early 2017



Robust development making good progress following pipeline route decision

# Portfolio with significant future production potential

TEN Project delivery

Industry leading project execution, first oil on 18 August 2016

Ghana upside options

Significant resource upside, low cost incremental investment options across Jubilee and TEN

Jubilee Turret project

Experienced project team implementing long-term solution

West Africa non-op

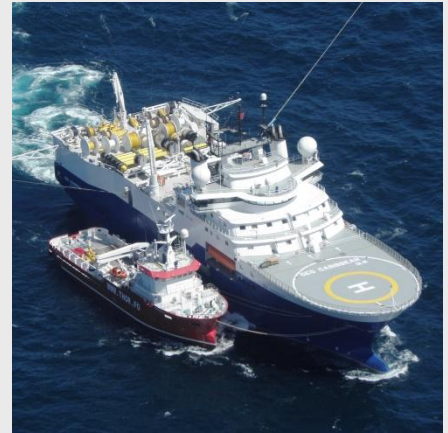
Portfolio currently being run at minimum capex, flexible investment options to offset production decline

Opportunities in East Africa

World class oil province, resilient to low oil prices, potential to benefit from low cost environment, significant upside potential

OVERVIEW PRESENTATION

# EXPLORATION & APPRAISAL



## Exploring in the current environment

### **Strategy steadily evolves**

- Exploration continues to be central to Tullow's value growth strategy
- Strong portfolio & attractive programmes adapted for current environment & long-term upside

### **Focus on material low-cost oil plays**

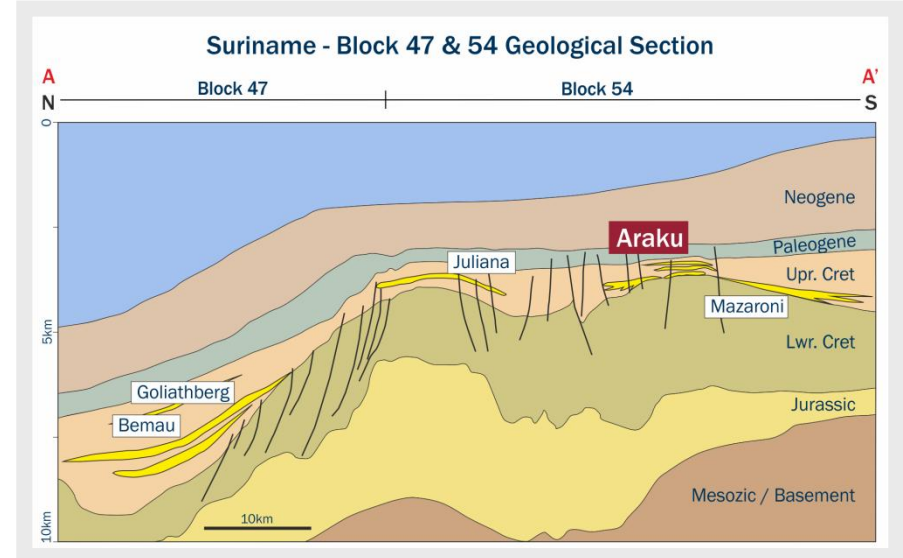
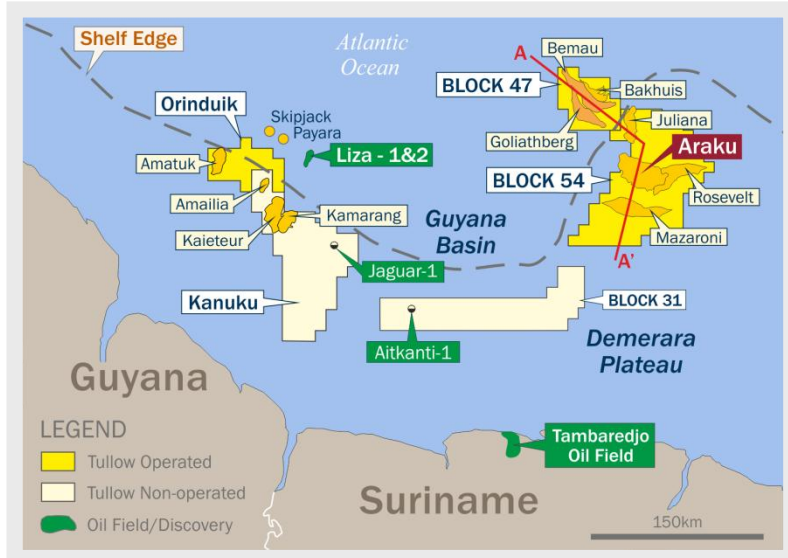
- Exciting programme launched in Guyana-Suriname
- Drilling to commence on high-ranking prospects in Kenya, Q4 2016

### **Mature & replenish our portfolio**

- Generating high-impact drillable prospects for future growth
- Adding attractive exploration acreage suited to low oil price

Leveraging minimal spend for maximum impact

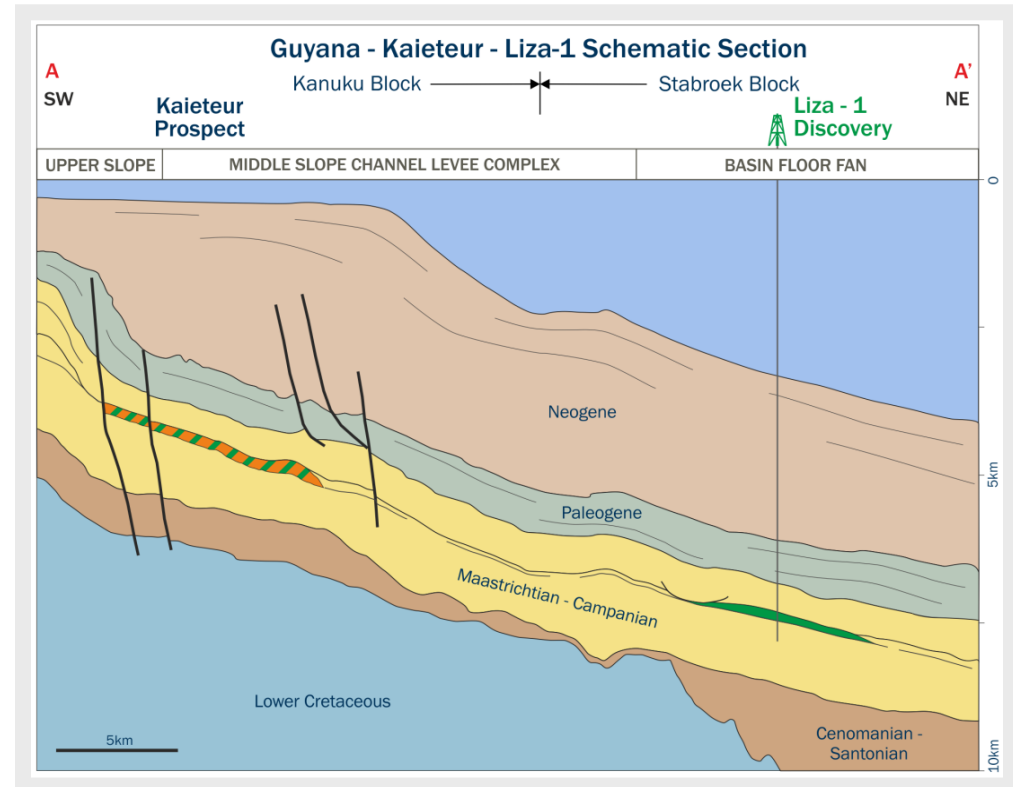
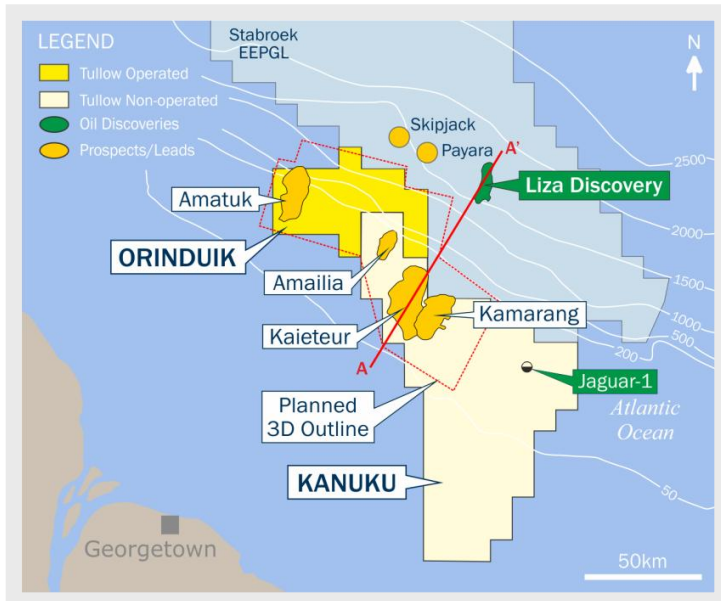
# Guyana-Suriname: excellent position in new oil province



- Liza-1 deepwater oil discovery significantly de-risks the basin & Tullow's regional acreage
- Araku: 500mmbo prospect in four-way closure, good seismic amplitude support
- Araku estimated well cost of c.\$14 million net to Tullow (Operator 30%)
- Multiple high-quality prospects identified for follow-up drilling in 2018+

Game-changing low-cost prospects with multiple follow-up potential

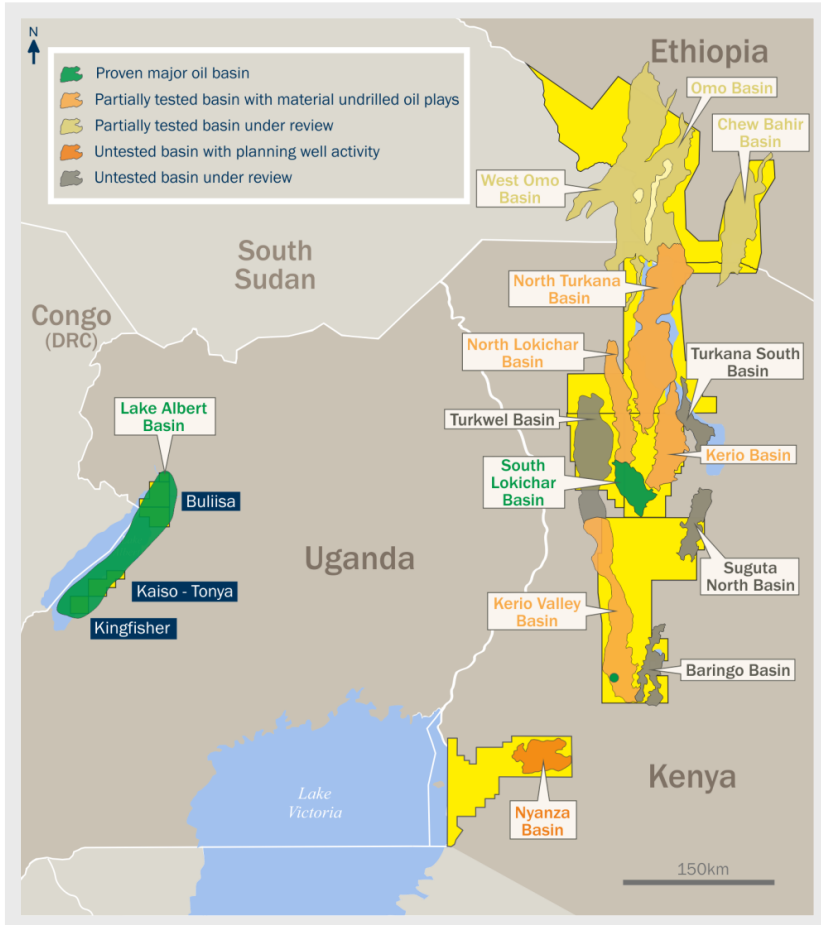
# Guyana: prospects up-dip of Liza-1 discovery, in shallow water



## Exploration activity commenced

- Preparing to acquire 3D seismic
- Jubilee-like setting up-dip of Liza oil discovery
- Kaieteur estimated well cost of c.\$15 million net to Tullow (non-op 30%)
- Shallow water concept engineering
- Up-dip leads paired with deepwater prospects

# Onshore East Africa: exploring regional oil play



Location	Activity
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## Uganda

<b>Lake Albert Basin</b>	<ul style="list-style-type: none"> <li>• 17+ oil fields discovered (90% success)</li> <li>• 1.7 billion barrels of oil discovered</li> </ul>
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## Kenya

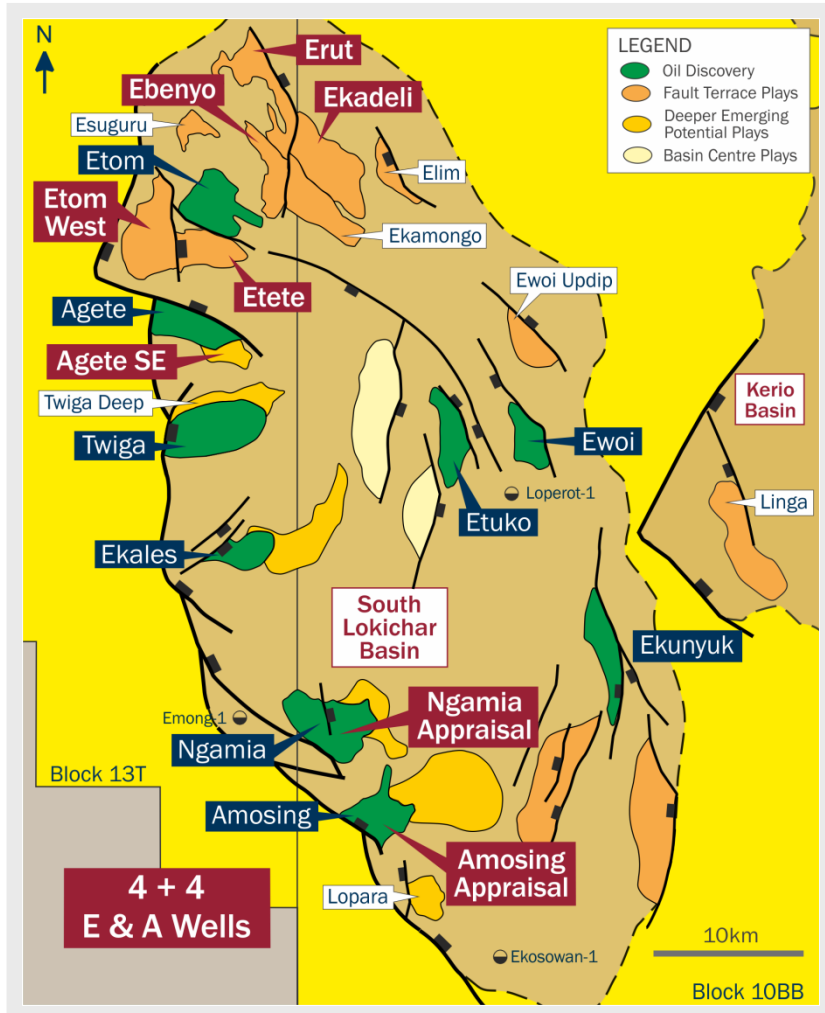
<b>North Turkana Basin</b>	<ul style="list-style-type: none"> <li>• Basin margin play unsuccessful at Engomo-1</li> <li>• Independent plays away from basin margin untested</li> </ul>
<b>North Lokichar Basin</b>	<ul style="list-style-type: none"> <li>• No commercial accumulation at Emesek-1</li> <li>• Post well analysis in progress</li> </ul>
<b>South Lokichar Basin</b>	<ul style="list-style-type: none"> <li>• 9 oil accumulations (750 mmo resource base)</li> <li>• + 2 technical discoveries (tight oil plays)</li> <li>• 1 billion barrel upside potential in basin</li> <li>• New northern oil play domain established by Etom-2</li> <li>• Additional plays &amp; prospects still to be tested</li> </ul>
<b>Kerio Basin</b>	<ul style="list-style-type: none"> <li>• Basin margin play unsuccessful at Kodos-1</li> <li>• Epir-1 established a working oil system</li> <li>• Independent plays in main basin untested</li> </ul>
<b>Kerio Valley Basin</b>	<ul style="list-style-type: none"> <li>• Cheptuket-1: 700m of oil shows</li> <li>• FTG currently being acquired</li> </ul>

## New basin testing wildcats

<b>Nyanza basin</b>	<ul style="list-style-type: none"> <li>• Still to be tested. FTG planned.</li> </ul>
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Opportunity to open one or two more basins

# Kenya: E&A drilling programme in South Lokichar Basin



## Material proven oil basin

- 9 oil accumulations discovered
- 750mmbo resource base confirmed by tests

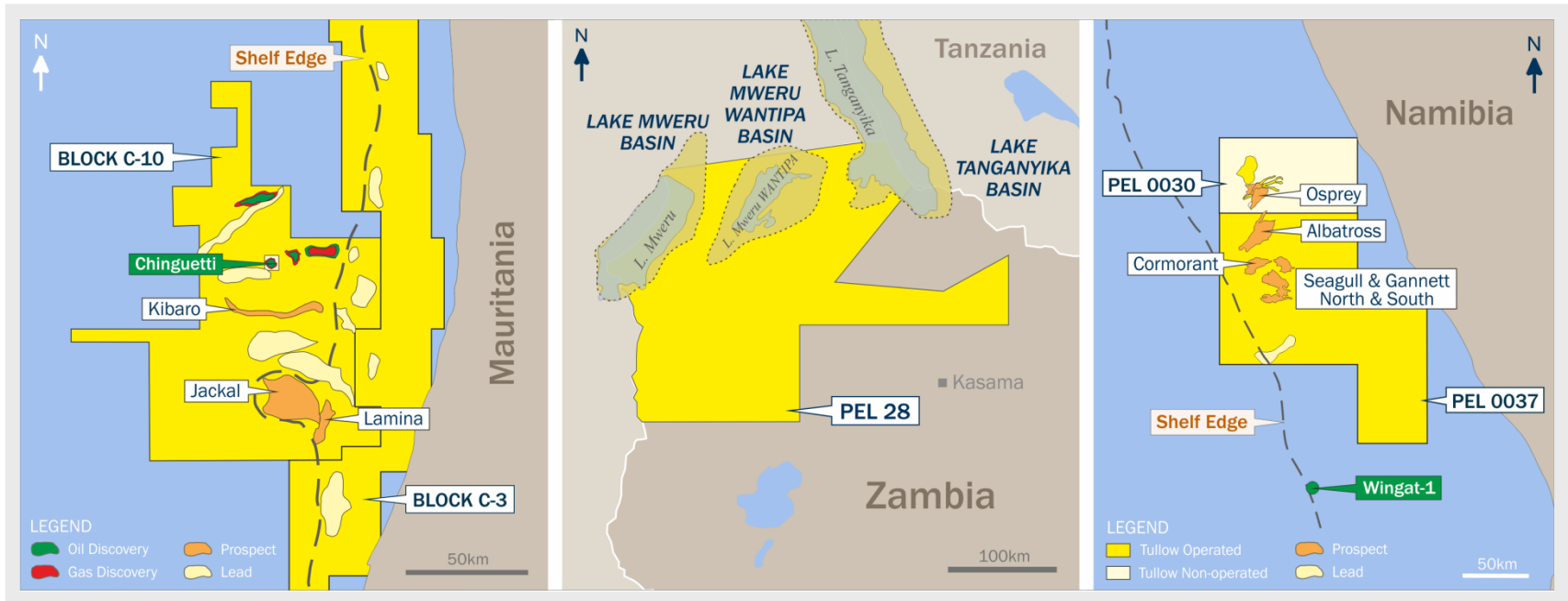
## Significant upside potential

- Billion barrel basin potential
- 20 oil prospects & leads yet to drill
- Further new plays being targeted

## Programme to commence Q4 2016

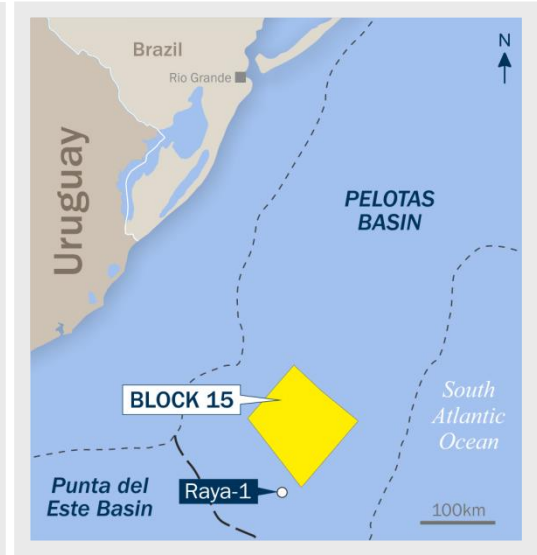
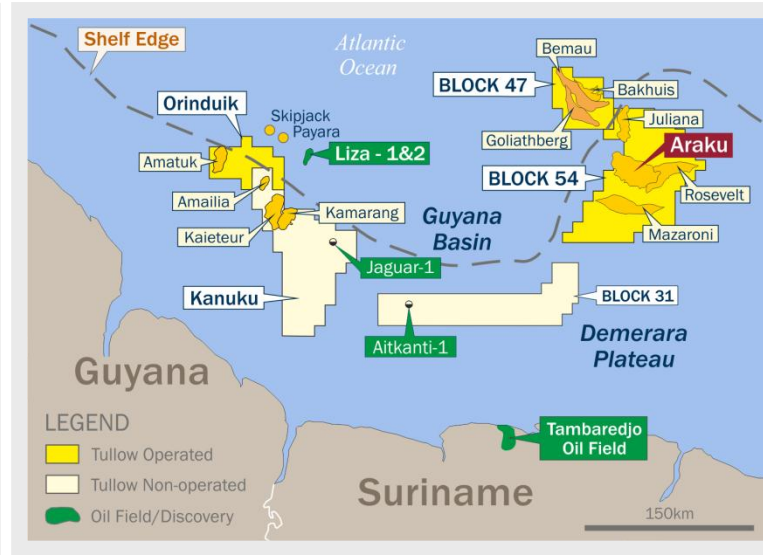
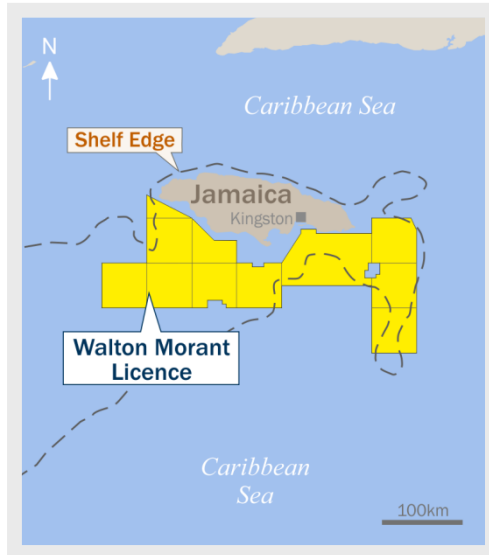
- Campaign of 4 firm and 4 contingent E&A wells
- Discover new oil: Etete, Erut, Etom W, Agete SE
- \$4-6 million per well net to Tullow (Operator 50%)
- Support development: Ngamia & Amosing appraisal

# Africa: Long-term future upside & portfolio replenishment



- Mauritania: exploration shifted to low-cost shelf-edge oil plays
- Zambia: extension of East African Rift Basin Play; reconnaissance started
- Namibia: material turbidite oil play in low-cost shallow water setting
- Ghana: near field & exploration potential to extend production plateau

Material acreage positions in well-known plays



- Jamaica: early stage of frontier exploration, interpreting new 2D seismic data
- Guyana: attractive acreage up-dip of material Liza-1 oil discovery
- Suriname: amplitude-supported low-cost offshore oil plays
- Uruguay: material exploration potential at southern end of Pelotas Basin

Strong acreage positions with long-term future upside potential

# Exploration is central to our growth

Game-changing opportunities

Guyana-Suriname: low-cost, multiple prospect potential

Africa: Growth options

Oil prone acreage in Namibia, Mauritania and Zambia

Kenya: Discovering more oil

South Lokichar new E&A campaign starts Q4 2016

Ghana: Extending oil fields

Jubilee and TEN near field prospects in 3D/4D seismic

Driving for value growth

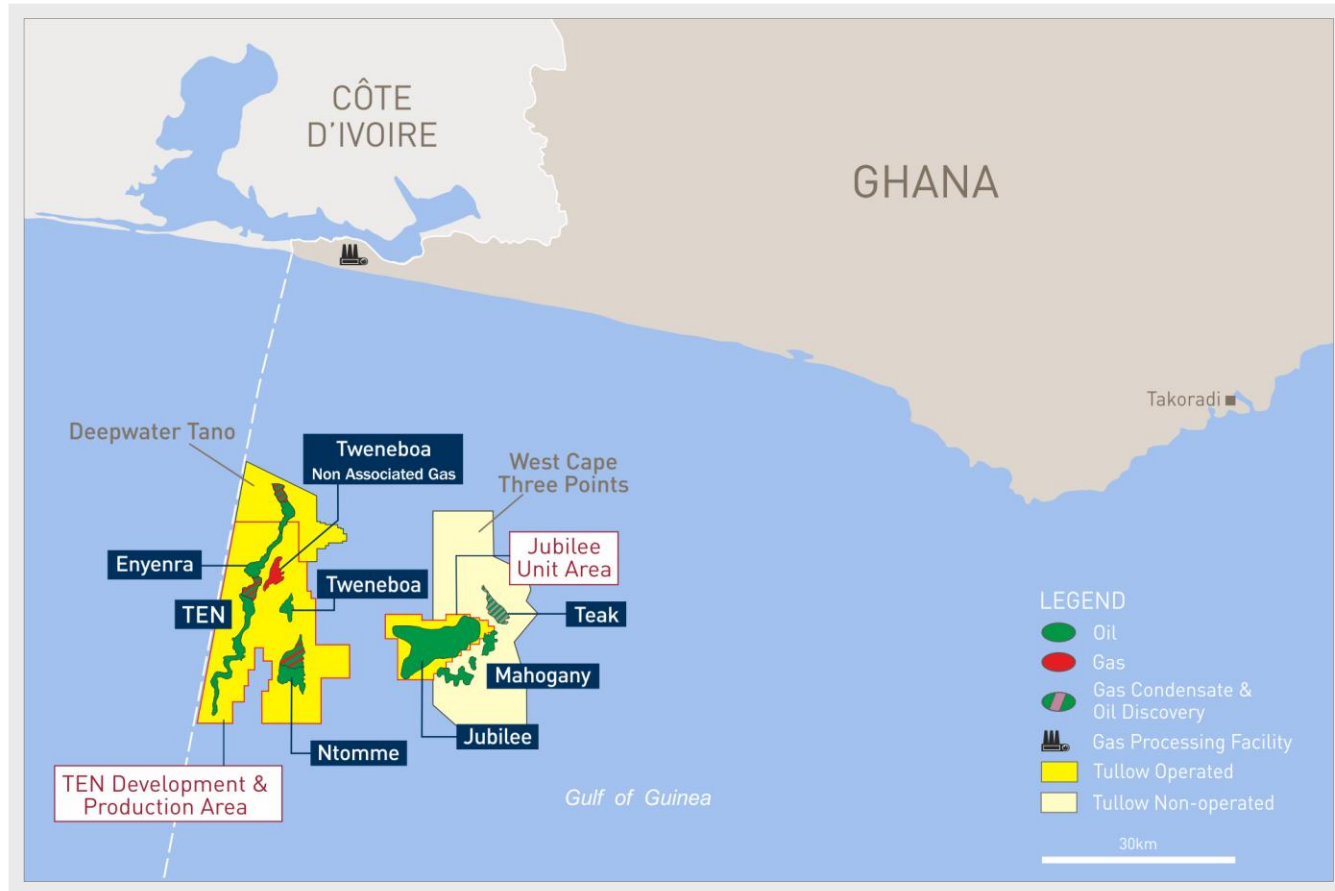
Leveraging minimal spend for maximum impact

OVERVIEW PRESENTATION

# APPENDIX



# Ghana acreage



Follow Tullow on:



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