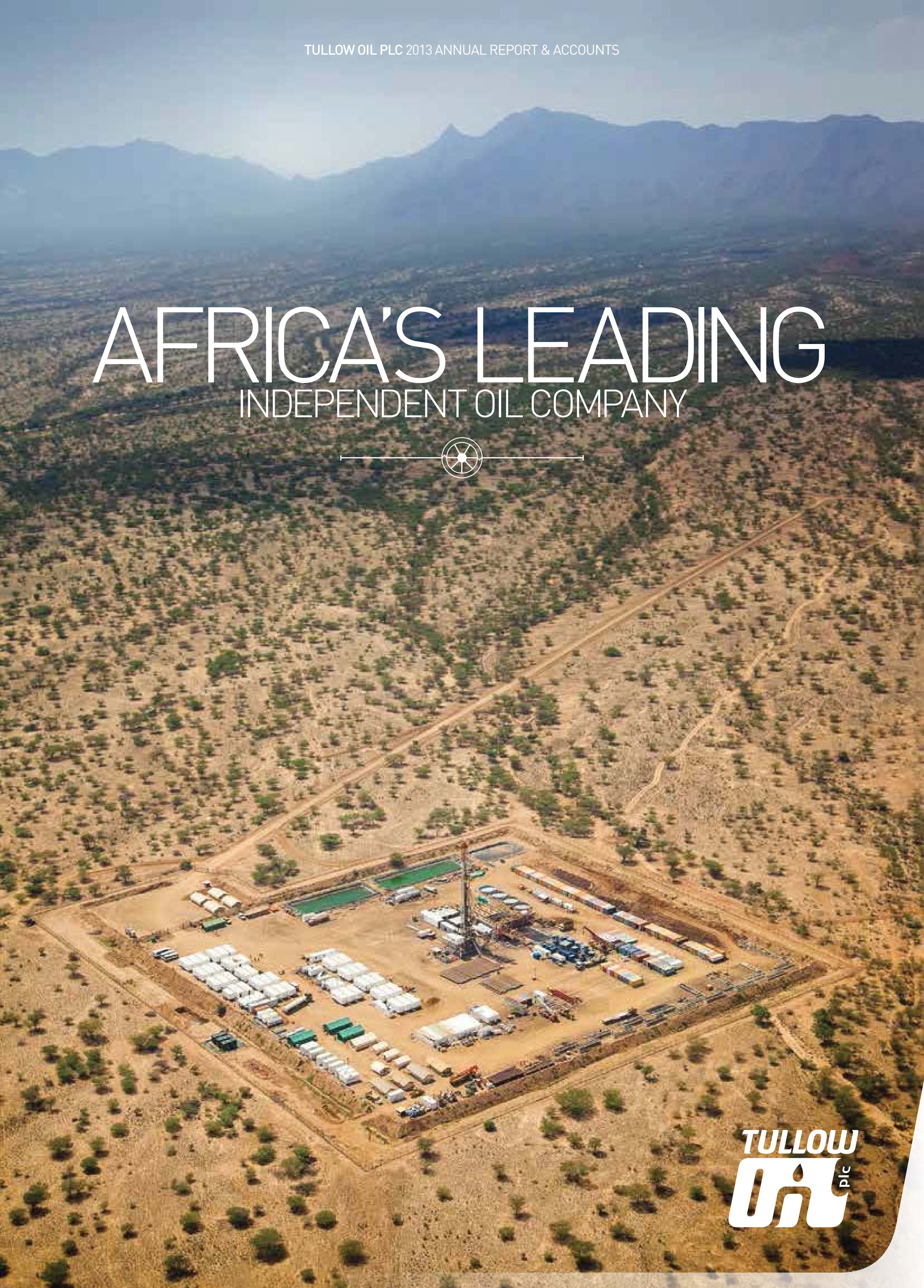
TULLOW OIL PLC 2013 ANNUAL REPORT & ACCOUNTS

AFRICA'S LEADING
INDEPENDENT OIL COMPANY



AFRICA'S LEADING
INDEPENDENT OIL COMPANY

Tullow Oil is a leading independent oil and gas, exploration and production group. Our focus is on finding oil in Africa and the Atlantic Margins, combined with selective development and high-margin production to fund our exploration-led strategy.

Our portfolio of 150 licences spans 24 countries and is organised into three regions. We are headquartered in London and have corporate offices in Ireland, Ghana, Uganda and South Africa. We have a total global workforce of over 2,000 people, with over 50% of these working in our African operations. Our shares are listed on the London, Irish and Ghana Stock Exchanges and the Group is a constituent of the FTSE 100 index.

Cover: The Amosing-1 well site in Block 10BB in the South Lokichar Basin, onshore Kenya.

1 STRATEGIC REPORT

The Strategic Report reviews our performance and progress for the year. It includes risk, governance, and corporate responsibility as well as information on future prospects. The structure of the Strategic Report is aligned to our business model.

ABOUT THIS REPORT

Our Annual Report has been restructured in accordance with the new reporting regulations from the Department of Business, Innovation and Skills (BIS). A key change is the 'Strategic Report' which replaces the former 'Business Review'. A description of each section can be found in the contents.

2
DIRECTORS' REPORT

The Directors' Report includes detailed information about our global operations, financial performance and long-term risk management.

3
CORPORATE GOVERNANCE

The Corporate Governance section outlines how our Board operates, performs and is remunerated. It also contains regulatory and compliance information.

4
FINANCIAL STATEMENTS

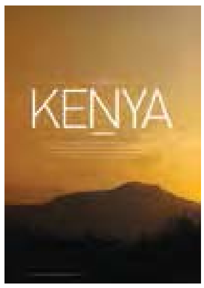
This section of the report contains statutory financial information, including a five year financial summary and supplementary information.

Supplementary Information

OUR BUSINESS MODEL

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. The basis of our business model is 'how we create value' and 'how we run our business' and both are equally important in enabling us to successfully deliver our business plans and deliver our growth strategy.

More information → 15



KENYA SPECIAL FEATURE

Tullow has made seven consecutive discoveries onshore in South Lokichar in Kenya since 2012 and estimates it has found over 600 million barrels of oil. Our special feature explores our journey so far in Kenya and the future for this potential new oil province.

Special feature → 18

EXPLORATION IN ETHIOPIA

Tullow has a 50% operated interest in the South Omo block, our most northerly interest in the Kenya-Ethiopia rift system. Over 120 leads and prospects have already been identified on seismic across Tullow's Kenya-Ethiopia acreage. In 2013, we commenced our exploration campaign in the Sabisa-1 prospect in South Omo Basin and continue to explore in the Chew Bahir basin. Our social investment programme in this region focuses on access to potable water, HIV and AIDS awareness and basic hygiene education as well as providing text books and learning materials to local primary schools.

1

STRATEGIC REPORT

MAKING GOOD PROGRESS ACROSS OUR BUSINESS

Tullow performed well in 2013. The business generated strong operating cash flow, delivered another year of exploration success, increased production growth and made significant progress with its key developments.

222 MMBOE
CONTINGENT RESOURCES ADDED

Tullow's exploration programme added 222 mmboe to contingent resources in 2013 primarily through significant exploration wells in Kenya and Norway. However, not all wells were successful and the exploration write-off for 2013 was $871 million (2012: $671 million). The Group has an exciting exploration and appraisal (E&A) programme planned, with over 40 wells scheduled in the next 18 months.

7/7 SUCCESSFUL WELLS IN KENYA

In Kenya, Tullow has drilled seven consecutive successful wells in the South Lokichar basin, increasing discovered resources for the basin to over 600 mmbo, well beyond the threshold for commercial development. A further 18 exploration and appraisal wells and multiple flow tests are planned over the coming 18 months across three of the 12 basins in Tullow's East Africa acreage.

Operations review → 62

84,200 BOEPD
PRODUCTION

Group working interest production for 2013 averaged 84,200 boepd, a 6% increase from 2012. In Ghana, Jubilee field gross production averaged approximately 100,000 bopd for 2013 and the Group estimates similar levels for 2014 while it waits for the Government to complete an onshore gas processing plant. Group production guidance for 2014 is 79,000 to 85,000 boepd.

TEN DEVELOPMENT

The Tweneboa-Enyenra-Ntomme (TEN) development project is on track for first oil in mid-2016. All key contracts have now been awarded and the floating production, storage and offloading (FPSO) vessel conversion and construction of subsea infrastructure have commenced. The process for reducing Tullow's stake and capital commitments in the TEN Project is ongoing with proposals being evaluated.

Operations review → 58

19/30

EHS SCORECARD

In 2013, our EHS scorecard, which includes ten leading and lagging indicators, was 19/30. In summary, we made good progress in all our leading indicators, but missed our lagging indicator target for uncontrolled releases and loss of containment incidents.

Shared Prosperity → 51

$217 MILLION

SPENT WITH LOCAL SUPPLIERS

In 2013, Tullow spent $217 million with local businesses, an increase of 49% (2012: $145 million). The increase this year was largely as a result of growing activity in Ghana and Kenya as well as reporting our local content expenditure in Ethiopia and Mauritania for the first time.

$870 MILLION

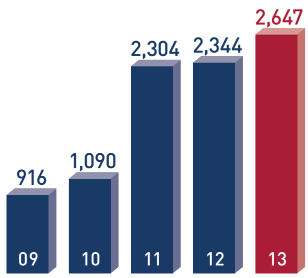
TO GOVERNMENTS

In 2013, we paid $870 million to governments (2012: $696 million), including 3.8 million barrels of oil (2012: 2.9 million barrels of oil) equivalent which equates to more than $350 million payments in kind at average realised oil prices for the year.

Shared Prosperity → 51

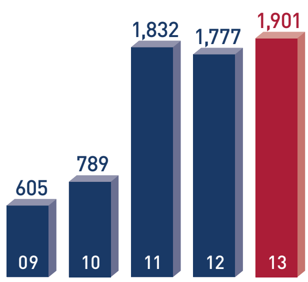
2013 FULL-YEAR RESULTS SUMMARY

Group	2013	2012
Sales revenue ($m)	**2,647**	2,344
Operating profit ($m)	**381**	1,185
Profit after tax ($m)	**216**	666
Basic earnings per share (cents)	**18.6**	68.8
Operating cash flow ($m)	**1,901**	1,777
Dividend per share (pence)	**12.0**	12.0



$2.6 BILLION SALES REVENUE

Revenue grew 13% to $2.6 billion (2012: $2.3 billion) and gross profit grew 7% to $1.4 billion, principally as a result of a 9% increase in sales volumes and largely stable oil and gas prices. Profit after tax decreased 68% to $216 million (2012: $666 million), due to a higher exploration write-off and a $703 million profit on disposal in 2012. As a result, basic earnings per share decreased by 73% to 18.6 cents (2012: 68.8 cents).



$1.9 BILLION CASH FLOW

Operating cash flow increased by 7% to $1.9 billion, reflecting growth in production and a robust commodity pricing environment. In 2013, capital expenditure was $1.8 billion (2012: $1.9 billion). Tullow's balance sheet is well-funded and was complemented during the year with a successful $650 million debut bond issue. The Group had unutilised debt capacity of $2.4 billion at year end.

Financial review → 68

CREATING VALUE ACROSS THE OIL LIFE CYCLE

At Tullow, we are committed to ensuring the oil and gas industry brings sustainable, transparent and tangible benefits to our shareholders, local communities and the people and host countries where we operate.

THE OIL LIFE CYCLE

The oil life cycle describes the stages an oil exploration and production company goes through from its initial entry into a country, through to when natural hydrocarbon reserves are depleted.

Exploration & Appraisal → **36**
Development & Operations → **38**

LICENCE TO OPERATE

In order to explore we must first be granted a licence by the government of the country we wish to invest in. We identify those countries through careful evaluation of geological and non-technical risks. We look for hydrocarbons in regions where we have proven expertise as well as new, unexplored territories.

EXPLORATION SURVEYS

We collect seismic data and other geophysical data to produce 2D and 3D pictures of what lies beneath the surface. The interpretation of seismic data allows us to gather geological information on the structures beneath us without drilling. After extensive analysis we plan exploration campaigns to try and discover oil and gas in these structures, or more strategically, to open up new basins.

CREATING SHARED PROSPERITY

We have responsibilities to local communities and national governments across the oil life cycle and we work to understand and manage the impact of our presence in host countries.

In entering a new country we consider the local community, the natural habitat, the political environment and security considerations as part of our planning processes. The presence of the oil and gas industry can have a significant local impact and we want it to be as positive as possible. Upon entry into a new area or country, we quickly engage with all stakeholders within local communities. This helps to create a dialogue and manage expectations of what our presence could mean.

OPPORTUNITIES TO MAXIMISE VALUE

At each stage of the oil life cycle, Tullow has an opportunity to monetise assets as part of its portfolio management strategy.

There are a number of possible options. A sale of part of a licence, called a farmout, could be completed on an existing licence to share exploration risk and costs. A farmout can also occur during or after exploration and appraisal drilling.

When a commercial discovery is made, Tullow has to decide whether to sell all or part of its interest in the discovered oil. Another option is to reduce its equity interest during the development phase to manage capital exposure, called a development carry, in what are often multi-billion dollar projects. Successful development of discoveries generates sales revenue and operating cash flow.

Non-core assets can also be divested and cash proceeds from each monetisation option can be utilised by the business in a number of ways.

EXPLORATION DRILLING

We drill an initial well to establish the presence of oil or gas. If there is none, or if it will not be commercially viable, the well is abandoned. After a significant discovery, we drill appraisal wells to determine the size and quality of the discovery. Further exploration wells may be drilled to determine the extent of the geological play over a much larger area.

DEVELOPMENT OF DISCOVERIES

We begin work on a Plan of Development (PoD) once we have confirmed that the oil discovery we have made is commercially viable. The PoD involves extensive stakeholder engagement and must consider environmental, social, economic and operational issues. These plans are approved by governments and regulatory authorities and their implementation is carefully monitored.

PRODUCTION OF OIL & GAS

Successful developments should be carried out in the most cost effective way, without compromising the highest safety standards and with regard for the environment and local communities who may be affected by our work. Production can last many decades, however oil and gas resources are finite. When production ceases, facilities are decommissioned and the location is remediated and reinstated.

In 2013, we invested in significantly enhancing our social performance capabilities and adopted an integrated approach to the management of above-ground risks. At all stages of the oil life cycle we need to understand the views of government, local communities and other interested stakeholders. Our goal is to take into account and address all of the social and environmental impacts of our activities and work in partnership to deliver on our commitment to social contribution, environmental stewardship and lasting economic development in host countries.

A PORTFOLIO OF VALUABLE EXPLORATION & PRODUCTION ASSETS

Our balanced portfolio of assets spans 24 countries and 150 licences. We are focused on areas of high-impact exploration, we have significant development projects ongoing and stable high margin production to fund the Group's exploration-led strategy.

WEST & NORTH AFRICA

The West & North Africa region contributes the majority of Tullow's production, providing valuable cash flow to fund the Group's exploration and development activity. The area remains highly prospective, with high-impact exploration campaigns ongoing in the region.

2013 key activity:

- Gross production from Ghana's Jubilee field, Tullow's key producing asset, averaged approximately 100,000 bopd per day in 2013. Total production from the Jubilee field was up 36% compared to 2012;
- The TEN development project, Tullow's second major operated development in Ghana, made significant progress in 2013, following approval of the Plan of Development by the Government of Ghana in May 2013. All key contracts have been awarded and conversion of a second FPSO is in progress, with an aim to deliver first oil in mid-2016; and
- Tullow's high-impact multi-well exploration campaign commenced in Mauritania. In February 2014, the Frégate-1 well discovered 30 metres of net oil and gas condensate pay in multiple sands.

SOUTH & EAST AFRICA

Tullow considers its South and East Africa region to have great potential for exploration and future cash flow. The Group has made seven consecutive discoveries in the South Lokichar basin in Kenya in the past two years and is considering development options for discovered resources in both Uganda and Kenya.

2013 key activity:

- Three consecutive oil discoveries at Etuko-1, Ekales-1 and Agete-1 in Kenya highlighted the emerging world-class exploration and production potential within our rift basin acreage;
- The discoveries in Kenya and successful flow tests at Twiga South-1 and Ngamia-1 put resources found above the threshold for development;
- Development plans have continued to make progress in Uganda and the first Production Licence was awarded to the Partners for development of the Kingfisher licence; and
- Since year end, the Government of Uganda has signed a Memorandum of Understanding with the partners in relation to development of the Lake Albert Rift Basin.

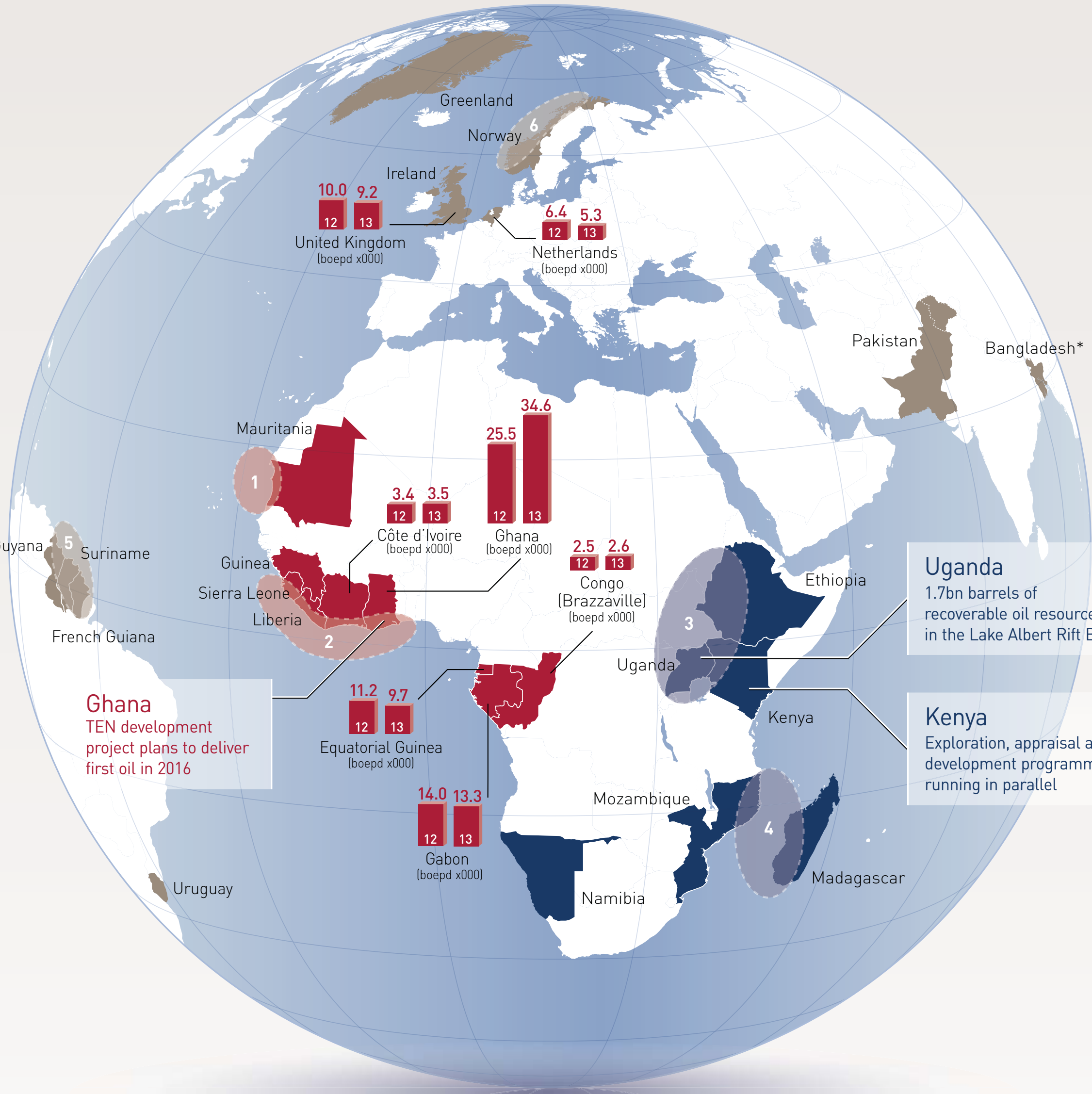
EUROPE, SOUTH AMERICA & ASIA

Tullow's Europe, South America & Asia region consists of some of Tullow's most mature producing assets and areas of frontier exploration. In 2013, Tullow announced the sale of its mature Asia gas businesses to allow it to focus on exploring for light oil.

2013 key activity:

- Following the acquisition of Spring Energy, Tullow commenced a high-impact exploration programme in Norway and the Wisting Central well made a play opening light oil discovery in the Hoop-Maud Basin in the Barents Sea; and
- Tullow divested its Asian businesses in 2013 and restructured the sale of its Southern North Sea Assets to suit current market conditions and facilitate a multiple asset disposal.

24	150	329,431	2,034
COUNTRIES WITH OPERATIONS	LICENCES	SQ KM ACREAGE	TOTAL WORKFORCE



Exploration Campaigns

Key Producing Areas

1. Central Atlantic Margin 2. West African Transform Margin
3. East African Rift Basin 4. East African Transform Margin
5. Guyanas Transform Margin 6. Norwegian Continental Shelf

Note: * Tullow sold its Bangladesh assets to KrisEnergy in December 2013

FOCUS ON EXECUTION

In 2013, your Company delivered a positive performance against a challenging market background for the resources sector as a whole, and for exploration companies in particular.

DEAR SHAREHOLDER

Sales revenue for the year was up 13% at $2.6 billion (2012: $2.3 billion) and gross profit increased by 7% to $1.4 billion. Profit after tax declined significantly to $216 million (2012: $666 million), mainly due to higher exploration write-offs and lower portfolio management profits. Strong cash flow from operations, amounting to $1.9 billion (2012: $1.8 billion), and a highly successful debut bond issue enabled Tullow to maintain a strong balance sheet while diversifying its sources of funding.

Cash flow from high margin production continues to underpin our exploration-led growth strategy. During the year we completed the first planned maintenance shutdown of the Jubilee operations in Ghana, within budget and ahead of schedule. The Phase 1A development also proceeded according to plan, and gross production during the year averaged approximately 100,000 bopd. Combined with a solid performance from our other producing assets, this enabled Tullow to achieve production of 84,200 boepd. Largely because of the potential impact on Jubilee of delays in commissioning Ghana National Gas Company's onshore processing facilities, production in 2014 is likely to be in the range 79,000-85,000 boepd.

In view of these results and the significant exploration and development programme planned for 2014, your Board is recommending an unchanged final dividend of 8.0 pence per share, bringing the total payment for the year to 12.0 pence per share.

SIMON THOMPSON CHAIRMAN

"OUR EXPLORATION-LED GROWTH STRATEGY CONTINUES TO BE SUCCESSFUL WITH MAJOR DISCOVERIES ONSHORE KENYA & A NEW POTENTIAL BASIN OFFSHORE NORWAY."

Committed to exploration-led growth

Our exploration-led growth strategy continues to be successful, with seven consecutive wildcat oil discoveries in the South Lokichar Basin in Kenya delivering estimated resources of 600 mmbo with significant upside potential, and the identification of a new oil basin offshore Norway. We also had a number of high profile disappointments, most notably our non-operated exploration programme in French Guiana. As at the end of 2013, total commercial reserves and contingent resources amounted to 1,409 mmboe, an increase of 206 mmboe. Tullow's exploration activities have resulted in an average of 200 mmboe being discovered per year over the last seven years. Meanwhile, the exploration pipeline has been refreshed with over 40 wells planned over the next 18 months, enabling the Group to pursue further opportunities in our core plays in Africa and the Atlantic margins.

Key developments and portfolio management

Good progress has been made with the development of the TEN Project in Ghana. Gross capital expenditure in 2014 is anticipated to be $1.2 billion with first production planned for mid-2016. Given the volumes already discovered and the upside potential in Kenya, Tullow will commence development studies in 2014, including a pre-FEED study of an export pipeline.

In Uganda, Tullow and its partners also continued to make steady progress with the Government in defining the development plan for the Lake Albert Rift Basin and the Memorandum of Understanding (MOU), defining the commercial framework for Uganda's oil industry, was signed in February 2014.

Our strategy of disposing of non-core businesses and monetising a proportion of our development assets was delayed by the negative market sentiment towards the resources sector and limited availability of finance for smaller companies, who were the natural buyers for some of our assets. Offers to buy our Southern North Sea assets did not meet expectations and therefore we have taken a decision to restructure the assets and defer these sales until we can achieve full value. Proposals to reduce our stake and capital commitments in the TEN Project are being evaluated. The sale of our assets in Bangladesh was completed in 2013 and we await regulatory approval for the sale of our Pakistan assets.

Creating shared prosperity

With almost 30 years of experience of managing frontier exploration and developments in Africa, Tullow is well aware of the challenge of managing both above- and below-ground risks. The former, in particular, have grown in complexity in recent years as companies are rightly being held ever more accountable for their actions. Your Board spends a significant amount of its time evaluating risk across Tullow's portfolio and as part of its objectives for 2014 has identified political risk evaluation, community relations, social performance, security and human rights as particular areas of focus.

"WE ARE INVESTING HEAVILY IN BUILDING OUR ORGANISATIONAL CAPABILITIES, CONTINUOUSLY SEEKING TO IMPROVE OUR UNDERSTANDING, ENGAGEMENT & SOCIAL PERFORMANCE."

We are investing heavily in building our organisational capabilities, continuously seeking to improve our understanding, engagement and social performance. We are determined to maximise local business opportunities and are committed to engaging with the citizens and governments of our host countries with integrity and transparency. Our decision to publish all payments to Governments in our 2012 reporting was an important step in this regard and this year we are reporting in line with the EU Accounting Directive, acting ahead of UK legislation. We have also made a number of voluntary disclosures over and above the legislation and by doing so, we are taking a leadership position on this important issue.

Exceptional people committed to success

Enabling people to fulfil their potential is central to achieving both our strategy and our vision of creating shared prosperity for our shareholders and our host countries. Our total workforce increased 14% in 2013 to 2,034 people. Over 50% work in Africa, where our localisation programme is focused on building capacity in our countries of operation and creating local employment opportunities. As always, I would like to thank all of our employees and contractors for their hard work and commitment to the future success of the Company.

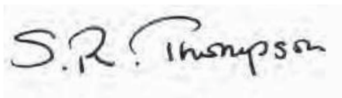
Board changes

At the Annual General Meeting (AGM) on 30 April 2014, David Bamford will retire after nine years of outstanding service to the Company. Ann Grant will replace him as Senior Independent Director. Jeremy Wilson joined the Board in October 2013 after a successful career at J. P. Morgan. He will assume the role of Chairman of the Remuneration Committee after the 2014 AGM and his corporate and project finance expertise has already proved to be of great value to the Board.

Focus on execution

With the resources sector in general, and exploration in particular, out of favour with the investment community, Tullow's share price suffered a major re-rating during 2013, decreasing by 32%, as market attention switched from long-term value creation through exploration to short-term cash returns to shareholders. During the year, Tullow met 350 institutions and investors around the globe, and conducted a market perception survey in the third quarter, which gave us a good insight into current views. Our active investor relations and debt programme maintains an open and positive dialogue with shareholders, helping us to build and retain long-term support for Tullow.

As we head into 2014, we are taking effective action to address the challenges that we face and our focus on the execution of our strategy is already delivering, with further success in Kenya and the recent signing of the MOU in Uganda. Your Board remains committed to creating long-term sustainable value for all of our stakeholders through our exploration-led growth strategy and believes that the underlying strength of our world-class portfolio of assets, the capabilities and commitment of our people, and the quality of our exploration and development pipeline are stronger today than ever before.



Simon R Thompson
Chairman

More information

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SUSTAINING OUR COMPETITIVE ADVANTAGE

At the end of each year my priority is to ensure that Tullow is stronger as a business than the year before, enabling us to sustain our competitive advantage. In 2013, I believe we achieved this objective in critical areas for our long-term success.

We have had significant exploration success onshore in East Africa and in Europe, offshore Norway. We achieved our target of adding 200 million barrels of contingent resources. We also made good progress with the TEN development offshore Ghana and delivered average gross production from the Jubilee field of approximately 100,000 bopd.

We diversified our sources of funding in 2013 with a $650 million bond issue and our financial profile remains strong through a combination of excellent cash flow from operations, gearing at 35% and unutilised debt capacity of $2.4 billion. Overall our financial results were satisfactory and in line with market expectations.

We continued to build and enhance our organisational capabilities. In particular, we have adopted an integrated approach to above-ground risk in recognition of the fact that many of the challenges and opportunities we face are inter-related and inter-dependent such as local employment opportunities, working with local suppliers, community relations, security and human rights.

In January 2014, we created a new Executive Committee, with a clear focus on efficient use of capital and commercialisation of our contingent resources. The Committee provides more depth and focus to leadership of the business and delivery of our business plan and strategic objectives.

AIDAN HEAVEY CHIEF EXECUTIVE OFFICER

"OUR TRACK RECORD FOR FINDING & DEVELOPING OIL OVER THE PAST SEVEN YEARS & OUR PROSPECTS FOR DOING THE SAME OVER THE COMING YEARS SHOW WE HAVE POSITIONED THE BUSINESS CORRECTLY."

Frontier explorers

During 2013, we drilled three wells in the onshore Tertiary Rift Basins of Kenya and each one has discovered oil. This highlights one of Tullow's key competitive strengths, which is our basin-opening exploration capability in frontier and emerging areas. We acquired a 50% operated interest in the Rift Basins of Kenya and Ethiopia in September 2010. This acreage shares many similar geological qualities with the Lake Albert Rift Basin in Uganda, where we have found over 1.7 billion barrels of oil since 2006.

Our Ugandan experience gave us valuable and advantageous technical insights, which we combined with the early adoption of key technologies, such as airborne full tensor gradiometry gravity surveying. This enabled us to drill our first wildcat exploration well in March 2012, approximately 18 months after acquiring the acreage. In the two years since then, oil discoveries made in the South Lokichar Basin have added resources at a higher rate than initially anticipated and the commercial threshold for development has already been achieved.

These oil discoveries have significantly de-risked our acreage position in Kenya and Ethiopia. This acreage covers an area of 97,000 sq km, comprising 11 further basins and gives us confidence that there is much more to come. Uganda and Kenya are now at the heart of an emerging powerhouse in future global oil supply markets and this has created some high potential synergies for accelerated oil production and inter-governmental cooperation in the East Africa region.

While it is still early days, the Wisting Central wildcat well in Norway in September 2013 made a breakthrough oil discovery offshore in the Barents Sea. This represents a new play opener for Tullow, which was created using proprietary applications of advanced technologies. Success in the Barents Sea also illustrates that the principle of our play opening approach is wide-reaching, as is our ability to execute it.

What is also exciting about Norway is that it combines high-impact exploration with the opportunity to extend the Troll oil and gas field complex. Troll is one of the biggest oil and gas fields in the North Sea and we have a high equity stake in some exciting prospects in close proximity to it, which if successful could be easily monetised. Although Mantra, the first such well which we drilled in 2013, penetrated a breached trap, the concept will be further pursued to find commercial oil close to the giant fields of Norway.

Development and production growth opportunities

While our growth strategy is led by exploration, our business and funding model is integrated with a large asset base and opportunities across development and production. The TEN development offshore Ghana is on track for first oil in mid-2016 and is targeting 80,000 bopd gross production. This will be the next material uplift in the Group's production and leverages our Jubilee field development experience. We are making progress to reduce our equity in TEN to manage our capital exposure whilst retaining operatorship, high-value oil production and operating cash flow.

The operated Jubilee field offshore Ghana accounts for circa 40% of our working interest production, with gross production averaging in the region of 100,000 bopd. Jubilee generated $1.3 billion sales revenue for the Group in 2013 and provided high-margin cash flow. Further delays in 2013 to the Ghana National Gas Company's onshore gas processing plant have obliged us to review various gas handling options to maintain current oil production rates in 2014 and to achieve the average gross production target of 100,000 bopd. This is not an ideal short-term scenario but we are confident that it has no impact on the ultimate recovery from the field, estimated at 209 mmboe of net commercial reserves and contingent resources. In addition, we are in discussions with the Government of Ghana on the Jubilee Full Field Development (FFD), with the potential tie-back of satellite fields.

In 2013, oil discoveries in Kenya exceeded the commercial threshold for development and in February 2014 we signed an MOU with the Government of Uganda outlining the commercial framework for Uganda's oil industry. The Lake Albert Rift Basin development is a joint proposal with our partners Total and CNOOC and is based on targeting over 200,000 bopd gross production. In the South Lokichar Basin in Kenya, the Government of Kenya and the joint venture partnership aim to reach project sanction for development, including an export pipeline, in the period 2015/2016.

OUR STRATEGY & BUSINESS PLAN

Each year as part of our remuneration policy the Board sets financial and strategic objectives to assess our annual performance. These objectives are tied into our business plan, align with our business model and are central to long-term strategic execution.

The Remuneration Committee has set out their assessment of 2013 strategic targets and the percentage of the potential remuneration reward granted on pages 108 to 109.

2014 to 2016 business plans

The Board approves a detailed annual plan, based on a three-year plan that sets out the key operational, performance and strategic agenda for Tullow during that period. It includes both Group and region-specific plans and strategic imperatives. The following are the key Group objectives for the 2014 to 2016 business plan.

2014-2016 Group objectives

- Sustain $1 billion annual E&A programme and achieve target of on average 200 mmboe of resource additions per annum;
- Deliver TEN first oil in 2016 and invest $1 billion per annum in selective developments while successfully managing capital expenditure exposure;
- Deliver targeted EBITDA from high-margin production;
- Achieve asset disposals in Asia, the UK and the Netherlands;
- Monetise selected assets including as a priority the TEN development;
- Operate within balance sheet debt capacity and maintain conservative financial profile; and
- Ensure Tullow's organisation is appropriately sized to achieve the Group's strategic initiatives.

More information
Business model and strategy → **15**
Market review → **30**

Financially secure

Tullow's prospectors, playmakers, geologists and geophysicists focus on finding big oil and as a Group we spend roughly $1 billion on exploration & appraisal campaigns each year. We spend approximately another $1 billion on development and production. We have a clear financial strategy to fund this level of business activity. This includes building a high-margin production engine of new fields to underpin our cash flow. In 2013, the business generated almost $2 billion operating cash flow, more than double our cash flow five years ago. We also need a strong balance sheet to maintain a conservative financial profile. In total, Tullow has $4.3 billion of debt facilities and had $1.9 billion of net debt at the year end.

We outlined last year the increasing role that portfolio management has to play in our business model. As the Chairman has discussed in his statement, the industry is currently experiencing a tough market and financial environment. In fact, I would go as far as to say the toughest in all my experience. We have a number of assets to divest in our portfolio management pipeline but it is currently very much a buyer's market, which has recalibrated the timeframe for monetising assets. Our financial strength has allowed us to avoid any distress selling of assets as part of our portfolio management strategy and enabled us to take a longer-term approach to monetisation, ensuring we realise their full potential value.

The dream of the drill bit

Our focus on frontier exploration creates the opportunity for big rewards and higher returns on investment. Our experience this year also demonstrates that it comes with big risks and justifies our prudent approach to exploration drilling within a balanced portfolio of prospects. Our limited offshore exploration success, outside of Norway, was particularly evident in non-operated French Guiana, with a lack of success after our initial significant Zaedyus-1 discovery in 2011. As I look forward to our extensive 2014 campaigns we have better control over our exploration programme, including timing and expenditure through strategic positions in key basins. This gives us greater flexibility and enables us to apply Tullow's entrepreneurial and pioneering approach. The dream of the drill bit is to find light oil in commercial quantities that can be readily monetised. We quantify this as the addition of, on average, 200 mmboe contingent resources per annum. This is what underpins Tullow's industry-acknowledged world-class exploration expertise.

Two perspectives on Tullow

As an entrepreneur and particularly as someone who has been around the oil and gas industry for almost 30 years, I view the management of Tullow from two perspectives. On the one hand, my Board colleagues and I consider the macro challenges we face as a business. On the other, we consider the issues we encounter on a day-to-day basis as we run our operations.

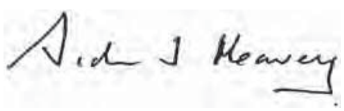
Macro issues, in my view, are where the real challenges to our business lie. These include access to world-class exploration acreage on reasonable terms; social issues and the management of expectations in host countries where knowledge of our industry is very limited; unclear fiscal and regulatory regimes that have the potential to undermine the validity of contracts; safe operations in difficult but very sensitive environments; long-lasting and productive relationships with governments; and creating shared prosperity through a sustainable contribution to social and economic development where we operate.

Day-to-day we face different issues. These include running production in a dynamic reservoir like Jubilee; achieving PoD approval after some delays, as is the case with TEN, delivering projects on time and on budget in areas with negligible infrastructure; and managing our expenditure in an industry where we have limited influence over external factors like cost inflation.

The macro perspective is what shapes and makes Tullow over the long term. Day-to-day activity is what ensures we deliver our three-year business plan. Inevitably, with the short-term perspective there will be disappointments, delays and frustrations. These short-term disappointments are usually reflected by capital markets but the role of the Executive and the Board is to be clear and consistent about the long-term strategic direction of Tullow. That means weighing up our direction as a business against what we believe will be the likely macro issues and possibilities, and asking first, whether we are well-positioned as a business to deliver on our strategy and second, whether we can handle the day-to-day challenges of running our portfolio.

Promising outlook for 2014

I continue to regard Tullow as the leading independent exploration and production company, particularly in Africa. I believe that our track record for finding and developing oil over the past seven years and our prospects for doing the same over the coming years show we have positioned the business correctly. 2013 was a significant year for the Group in many respects, I personally would like to thank every one of our employees and contractors for their contribution again this year, in the face of both successes and some challenges. Looking ahead, 2014 promises to be another year of strong progress for Tullow.



Aidan Heavey
Chief Executive Officer

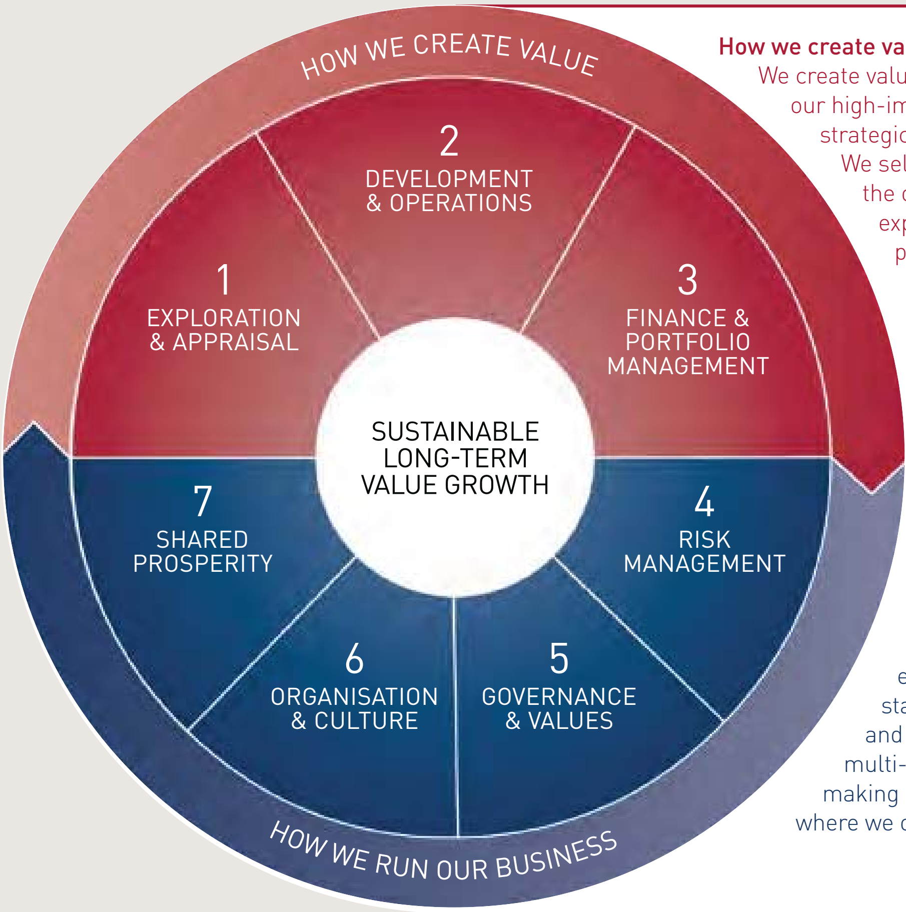
1

BUILDING A BUSINESS WITH AN UNRIVALLED COMPETITIVE POSITION

Our vision is to be the leading global independent exploration and production company and our strategy to achieve this is exploration-led growth.

We want to build a business with an unrivalled competitive position that is differentiated from our peers. We believe we can achieve this through high-impact exploration, selective developments and high-value material production. We will fund the development of our business with operating cash flow, monetisation of assets and access to debt and equity markets.

Success will be sustainable value growth for Tullow, substantial long-term returns to shareholders and shared prosperity for our stakeholders. Our exploration-led growth strategy, the scale of our business and the dynamic environments within which we operate require disciplined risk management and ongoing strategic attention to continue to deliver growth and a robust, well-funded business.



How we create value

We create value in two ways. We find oil through our high-impact exploration programme, strategic acquisitions and New Ventures. We sell oil by monetising assets across the oil life cycle or by developing exploration discoveries through to production. This generates cash flow for investment in the business and supports a strong balance sheet and financial flexibility.

How we run our business

Our approach to running our business reflects the most material issues for our continued success and delivery of our business plans. These include strong and effective risk management, high standards of governance, transparency and anti-corruption, developing a multi-disciplined and diverse team and making a positive and lasting contribution where we operate.

OUR INTEGRATED GOVERNANCE & RISK FRAMEWORK

Strong and effective risk management is central to how we run our business and supports the delivery of our strategic objectives. It also ensures we remain focused on developing long-term relationships with host governments and safeguarding the communities and the environments we work within, ultimately protecting our business, people and reputation.

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.

Strategic priorities	Performance indicator
Sustainable long-term value growth	• Long-term Total Shareholder Return

HOW WE CREATE VALUE

Strategic priorities	Performance indicator
1. Exploration & Appraisal Execute selective high-impact E&A programmes.	• Resource growth • Exploration success ratio • Portfolio replenishment • Finding costs per boe
2. Development & Operations Deliver all major projects and production operations increasing cash flow and commercial reserves, while ensuring safe people, procedures and operations and minimising environmental impacts.	• Yearly operations targets • EHS scorecard • Timely delivery of projects
3. Finance & Portfolio Management Manage financial and business assets to enhance our portfolio, replenish upside and support funding needs.	• Operating cash flow • Debt profile and capacity • Gearing and cash operating costs • Capital expenditure and cost management targets • Realised commodity prices • Funding of projects

HOW WE RUN OUR BUSINESS

Strategic priorities	Performance indicator
4. Risk Management Deliver substantial returns to shareholders.	• Long-term Total Shareholder Return (TSR) • EHS scorecard
5. Governance & Values Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.	• Code of Conduct training and certification • Compliance issues and whistle blowing calls and investigations
6. Organisation & Culture Build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair.	• Staff turnover • Recruitment for key roles • Localisation
7. Shared Prosperity Create sustainable, transparent and tangible benefits from the presence of oil in host countries.	• Local content • Social performance

RISK MANAGEMENT

The Board is collectively responsible for risk management and each Executive Director is responsible for designated strategic risks. In early 2014, a new Executive Committee was formed that assists the Executive Directors in running the business. It comprises the Executive Directors and 10 senior regional and functional business leaders. The Vice Presidents and Business Unit leadership teams are responsible for managing day-to-day operations and the safe delivery of the Group's business plan. Corporate functions are responsible for managing designated Group-wide corporate risks and assurance of Business Unit activities and operational and financial performance.

Risk Management → 42
Long-term risks → 72

BOARD OF DIRECTORS

- 12 members
- Five Executive Directors
- Seven non-executive Directors
- Four Board Committees

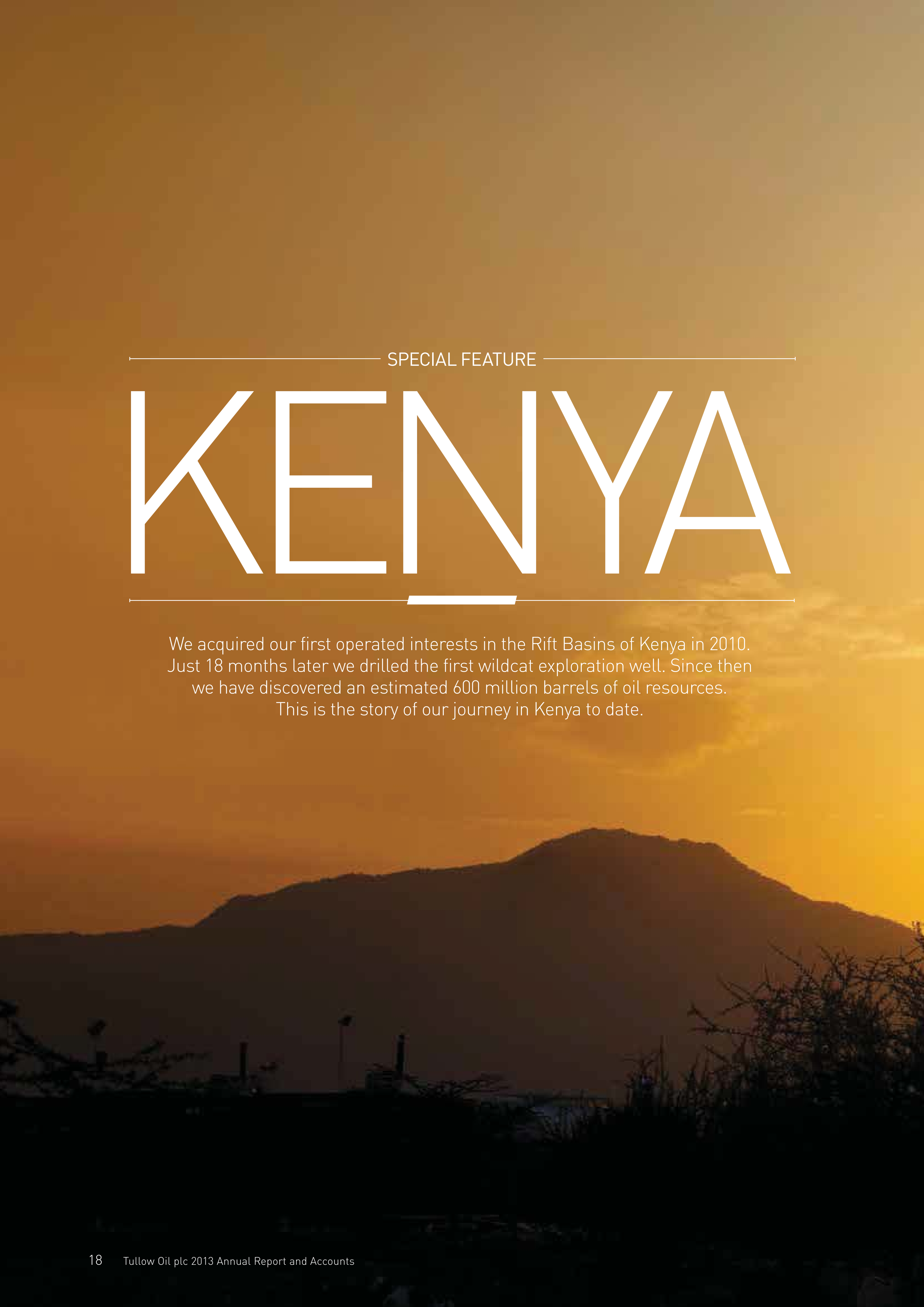
EXECUTIVE COMMITTEE

Includes the Executive Directors and 10 regional business and corporate function leaders

REGIONAL & BUSINESS UNITS

CORPORATE FUNCTIONS

Key risks to our performance	Risk owner	Risk assurance	More info
• Strategy focus to meet shareholder expectations	**Aidan Heavey** Chief Executive Officer	• Board and the Executive Directors	→ 35
• Sustained exploration failure	**Angus McCoss** Exploration Director	• Executive Committee • Global Exploration Leadership Team	→ 36
• Key operational or development failure • EHS failure or security incident	**Paul McDade** Chief Operating Officer	• Executive Committee • Board EHS Committee • Development & Operations Leadership Team • EHS Strategy Group	→ 38
• Insufficient liquidity, inappropriate financial strategy • Cost and capital discipline • Oil and gas price volatility	**Ian Springett** Chief Financial Officer	• Executive Committee • Financial Risk Committee	→ 40
• Strategy fails to meet shareholder expectations • Information and cyber security	**Executive Directors** **Angus McCoss** Exploration Director	• Board • Executive Committee • Information Systems Leadership	→ 42
• Bribery and corruption • Governance and legal risk	**Graham Martin** Executive Director & Company Secretary	• Board • Compliance Committee • Executive Committee	→ 44
• Loss of key staff and succession planning	**Graham Martin** Executive Director & Company Secretary	• Executive Committee	→ 48
• Failure to manage social and socio-economic impacts • Political risk • Supply chain failure	**Paul McDade** Chief Operating Officer **Graham Martin** Executive Director & Company Secretary	• Executive Committee	→ 51



SPECIAL FEATURE

KENYA

We acquired our first operated interests in the Rift Basins of Kenya in 2010. Just 18 months later we drilled the first wildcat exploration well. Since then we have discovered an estimated 600 million barrels of oil resources. This is the story of our journey in Kenya to date.

OUR OIL JOURNEY

"THIS IS A VERY EXCITING TIME FOR KENYA & ITS NATURAL RESOURCES HOLD SIGNIFICANT POTENTIAL FOR THE COUNTRY."

The discoveries made by Tullow over the last two years have put Kenya at the heart of East Africa's emerging oil province. Despite this success, we do not underestimate the challenges that lie ahead in bringing first oil to market.

Development and production of these resources is a long-term proposition, and so we must work together with stakeholders to build understanding and knowledge about what activities need to take place at each stage of the journey.

Securing an appropriate and economically viable plan for development will be critical to project success, however having the right infrastructure in place to support oil production will be equally important. Significant infrastructure upgrades will be required in order to transport the oil from an area largely inaccessible today by roads and rail to the sea, over 850 kilometres away. Furthermore, Tullow will require access to a wide range of skills as well as competitive, high quality goods and services.

We also recognise the fragility of our operating environment. The environmental, social and cultural sensitivities will require careful management and extensive consultation. Our ability to develop the Nation's resources will be a collective effort and we are fully committed to working with the National and County Governments, the communities in which we operate, and other stakeholders to realise the full potential of Kenya's resources.

Kenya's natural resources hold significant potential for the country's people and we are committed to ensuring this is delivered in a responsible manner.

Martin Mbogo
Tullow Business Manager, Kenya

KENYA TIMELINE

2010

Tullow acquired 50% interest in licences 10BA, 10BB, 10A, 12A and 13T after signing agreements with Africa Oil and Centric Energy. Agreements duly approved by authorised Government entity in Kenya

2011

Full Tensor Gradiometry (FTG) Gravity survey commenced and drilling starts at Ngamia-1

2012

First discovery at Ngamia-1, followed by Twiga South-1 well in Block 13T

2013

Three more discoveries at Etuko-1, Ekales-1 and Agete-1.
"Area of Interest" (AOI) agreed with the Government of Kenya to allow a multiple field approach to development

2014

Discoveries at the Amosing-1 and Ewoi-1 exploration wells. Estimate of discovered resources indicates overall South Lokichar basin potential of over one billion barrels of oil

2014+

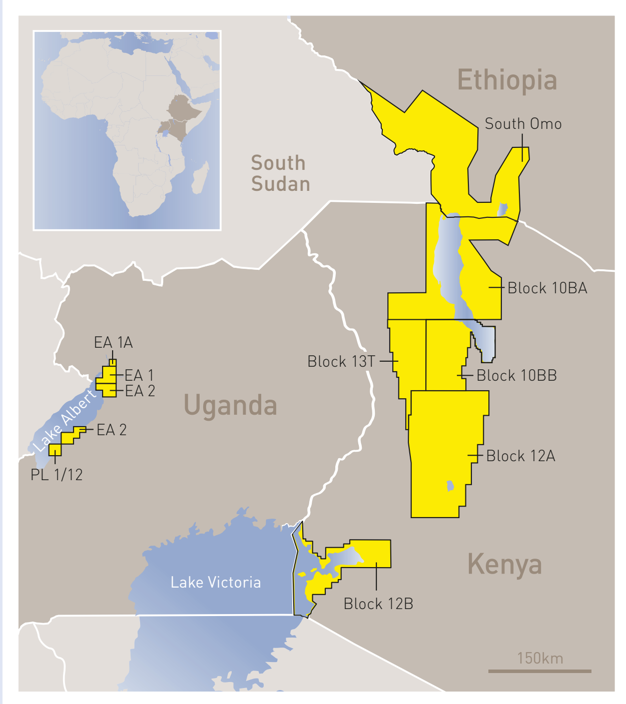
Accelerating parallel exploration, appraisal and development programmes

TULLOW IN EAST AFRICA

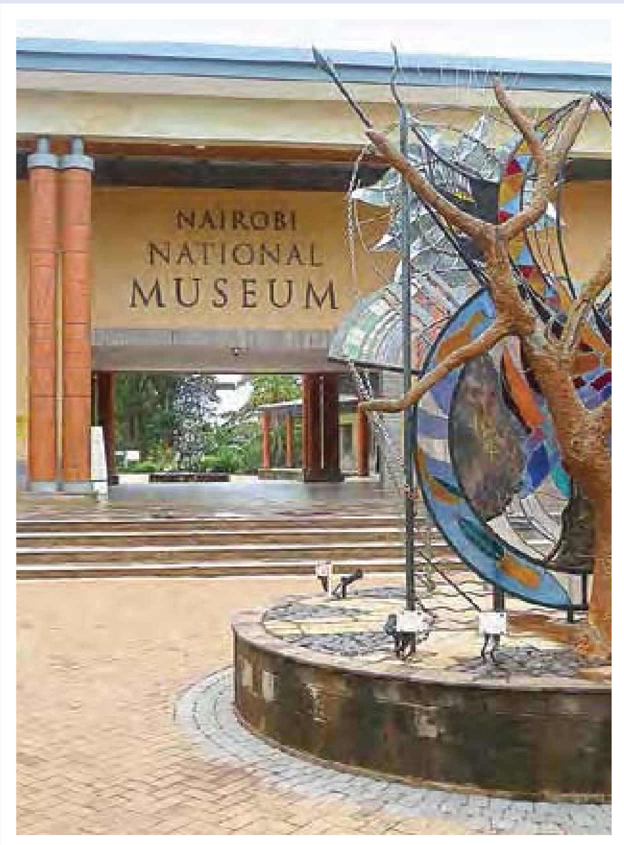
Tullow has had significant exploration success in the rift basins of East Africa, opening basins in the Lake Albert Rift Basin in Uganda in 2006 and more recently in the South Lockichar Kenya Rift Basin. Accelerated exploration, appraisal and early development campaigns are now under way in parallel in Kenya and Ethiopia, across the 11 basins where we have over 85,000 sq km of acreage.

"WE HAVE WORKED IN AFRICA FOR ALMOST 30 YEARS & RECOGNISE THE SIGNIFICANCE OF THE REGION'S WORLD-RENOWNED ENVIRONMENTAL & CULTURAL HERITAGE"

Aidan Heavey
Chief Executive Officer



WORLD-CLASS
PETROLEUM PROVINCE POTENTIAL



KENYA ACREAGE

In Kenya, Tullow operates in one of the world's most environmentally sensitive regions which includes national parks, World Heritage Sites and areas of global archaeological and paleontological importance. From the outset, Tullow recognised the need to protect areas of cultural significance and partnered with the National Museums of Kenya (NMK) and Turkana Basin Institute (TBI) to help manage operations in these areas.

The scale of Tullow's licence areas in Kenya is comparable to the size of England. There is a wide variety of topography including very rough volcanic terrains in the southernmost and easternmost reaches, to vast savannahs and far-reaching deserts.

65,000 SQ KM

ACREAGE IN KENYA

RIFT BASINS

Rift basins are a core part of Tullow's East African exploration strategy and the plays targeted in Kenya are relatively young, at a few million years old. Geological rifts occurred when the Earth's plates were pulled apart by forces deep within the Earth's interior. As separation occurred, the ground collapsed to create lakes which deepened and linked to the sea.

Over time the lakes became isolated and filled with sediment deposits. The organic remains of micro-organisms that accumulated on the lake floor were then heated, compacted and converted to oil as they became buried in the collapsing rifts.

The early stages of rifting are present in Kenya as the chain of lakes were rapidly filled with sediment eroded from the surrounding mountains. The combination of shales and sands that are deposited contain the oil source and reservoir rocks that Tullow is now exploring.

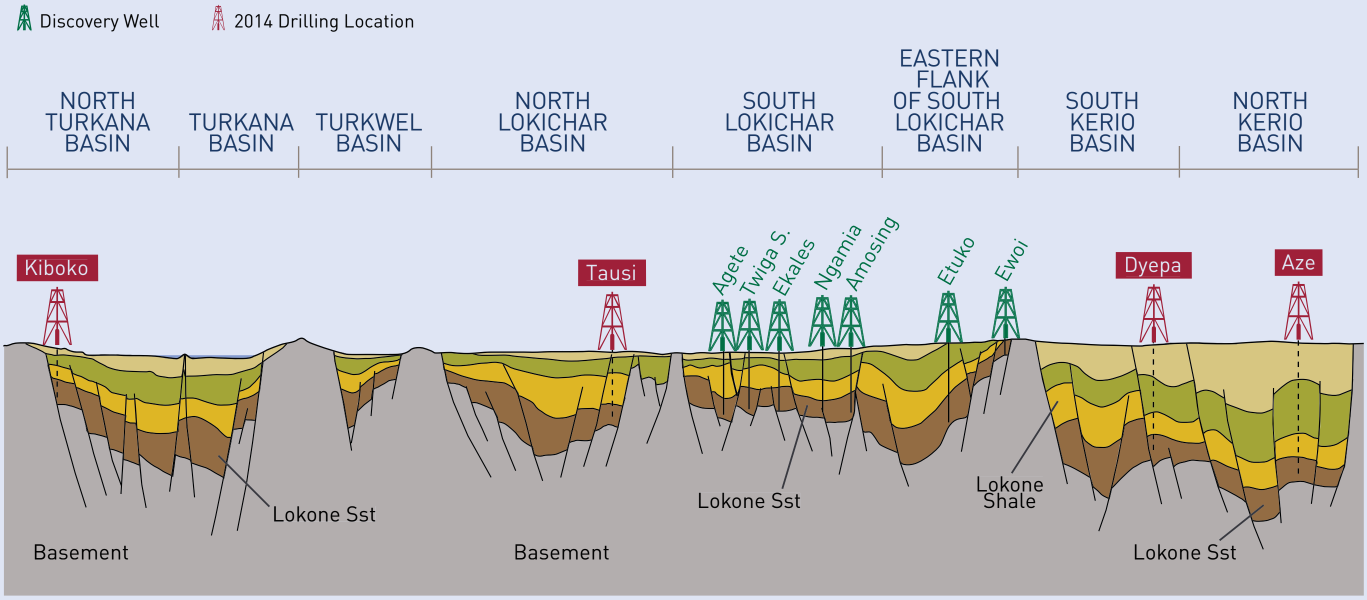
ACHIEVING EXPLORATIO

SURVEYING EXCELLENCE IS DRIVING EXPLORATION

Rift basins in Kenya share many similar geological qualities with the Lake Albert Rift Basin in Uganda where we have discovered estimated gross recoverable resources of over 1.7 billion barrels of oil since the first exploration well in 2006. This experience in the East Africa region gave us valuable and advantageous technical insights, which we combined with the early adoption of key technologies in developing our exploration campaign in Kenya. We conducted the world's largest airborne Full Tensor Gradiometry (FTG) gravity survey, at that time, as well as more conventional 2D surveys across Kenya's Tertiary Rift Basins. FTG is efficient in terms of time and provides high-resolution information about variations in the density of subsurface materials, which is highly valuable to our exploration teams in identifying possible hydrocarbon deposits.

A MULTI-BASIN EXPLORATION CAMPAIGN

This diagram shows the basins that Tullow has acreage in onshore Kenya. Success in South Lokichar, significantly de-risked the remaining areas. Tullow plans to explore in the Kerio and Turkana Basins in 2014.



N SUCCESS

7/7

OIL DISCOVERIES TO DATE IN SOUTH LOKICHAR BASIN

c.60,000 SQ KM

FTG SURVEY ACROSS KENYA & ETHIOPIA

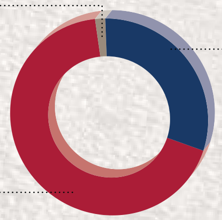
"WE USED INNOVATIVE EXPLORATION TECHNOLOGIES & VALUABLE TECHNICAL INSIGHT IN PLANNING OUR CAMPAIGN IN KENYA."

Robin Sutherland
Exploration Manager – Sub Saharan Africa

$71 MILLION

At Tullow, we are committed to being transparent about our payments to government as we believe this enables communities, citizens and governments to have a constructive debate on the sustainable management of oil revenues. Our total payments to all Kenyan stakeholder groups, including taxes to the national Government, expenditure with local suppliers and discretionary investment in community projects amounted to $71 million in 2013.

Payments to major stakeholder groups ($ million)



$22 MILLION

Over the last 12 months we paid $22 million in taxes to the national Government of Kenya, which includes VAT, withholding tax on imported services and PAYE on our employee salaries.

We have just over 100 permanent staff in Kenya and over 70% of these are local nationals. Tullow Kenya has also engaged 2,155 personnel from its contractors in our operations, 83% of whom were local nationals as of 31 December 2013.

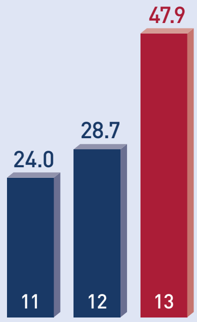
FOCUSED ON TRANSPARENCY

COMMITTED TO LOCAL CONTENT

Spend with Kenyan suppliers has been growing in line with our increased operational activity. In addition to the $48 million Tullow spent with local suppliers in 2013 (2012: $29 million), our international contractors spent $47 million with Kenyan businesses in 2013, $3 million of which was with Turkana businesses.

$48 MILLION

Local content – Kenya ($ million)



SUPPORTING LOCAL JOB CREATION

We are committed to bridging the existing skills gap to ensure that Kenya's emerging oil and gas industry brings real, lasting benefits to the country's people. At the end of 2013, there were approximately 100 permanent employees in Kenya, over 70% of whom are Kenyan nationals. To date, we have achieved 100% localisation of our HR, External Affairs, Finance, Legal, IT and general support roles. We are actively looking at development opportunities for graduates and experienced personnel to drive the localisation programme both nationally and with respect to the area of operation.

WATER SCARCITY

The amount of water needed for development and production will increase substantially from the exploration phase and typically approximately 50 gallons of water is used for every barrel of oil produced. Tullow is aware that its operations in Kenya are in a very arid region and is already working to understand the water sources needed by Tullow and the local communities. Tullow is mapping local subsurface water sources through a hydro-geological survey, which will establish a baseline of water sources in the region.

CREATING SHARED PROSPERIT

"ESTABLISHING THE COMMUNITY RESOURCE OFFICES NOT ONLY REINFORCES OUR COMMITMENT TO WORKING IN PARTNERSHIP WITH OUR HOST COMMUNITIES, BUT THEY ALSO PROVIDE A POINT OF CONTACT FOR STAKEHOLDERS WHO ARE INTERESTED IN & IMPACTED BY OUR OPERATIONS."

Martin Mbogo,
Tullow Business Manager, Kenya

ADDRESSING STAKEHOLDER CONCERNS

In 2013, we faced stakeholder concerns as our operations ramped up. In late October, we temporarily shut down our drilling operations after a disturbance triggered by community concerns over local employment and business opportunities.

We worked with local and national governments and the local community on a Memorandum of Understanding that set out a way forward to improve our engagement with local Turkana community.

Y IN KENYA

SCHOLARSHIPS & SUPPORT

We seek to leverage the benefits which our business can bring to local communities by investing in social initiatives across health, education, environment, enterprise development and livelihoods. In 2013, Tullow and its partners invested over $2.73 million in social investment initiatives and this will increase as our business develops.

Through the Tullow Group Scholarship Scheme we have invested over $890,000 in 2013/14 in sponsoring 15 Kenyan scholars, in postgraduate studies at top universities, in highly specialised fields related to the upstream oil industry. In 2014/15 another 30 awards will be made available for Kenya.

While we aim to invest in long-term initiatives, we also recognise that our operating environment is fragile and host communities suffer from prolonged periods of drought. Recently and in response to the worsening drought situation in the Turkana County, Tullow contributed $230,000 through the Kenya Red Cross Society and the County Government of Turkana to implement a school feeding programme in Turkana County.

ENGAGING WITH OUR HOST COMMUNITY

A robust community engagement strategy that encourages participatory engagement is a priority for Tullow and we utilise a range of methods to engage our neighbouring communities, amongst other key stakeholders. We engage on a range of issues including our core operations and future work programme, grievance management, social impact and also the social investment programmes which we execute in our areas of operation.

In December we opened community resource offices in the Lodwar, Lokori and Lokichar areas. These offices are staffed by dedicated teams who work closely with our mobile field based stakeholder engagement teams. Together these teams facilitate a dialogue between Tullow and our stakeholders so that we are able to more effectively manage our impacts and bring greater benefits to local communities.

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MEMBERS IN SOCIAL PERFORMANCE FIELD SUPPORT TEAM

FUTURE DEVELOPMENT POTENTIAL

WORLD-CLASS OPERATED ONSHORE OIL PROJECT

Given the significant volumes discovered and the extensive exploration, appraisal and seismic programme planned to fully assess the upside potential of the South Lokichar Basin, Tullow and its partner have agreed with the Government of Kenya to commence development studies. In addition, the partnership is involved in a comprehensive pre-FEED study for an export pipeline. The current ambition of the Government of Kenya and the joint venture partnership is to reach project sanction for development, including an export pipeline, in the period 2015/2016. If further exploration success opens additional basins there will be scope for the development to be expanded.

1 BILLION

POTENTIAL BARRELS OF RECOVERABLE OIL

600 MILLION

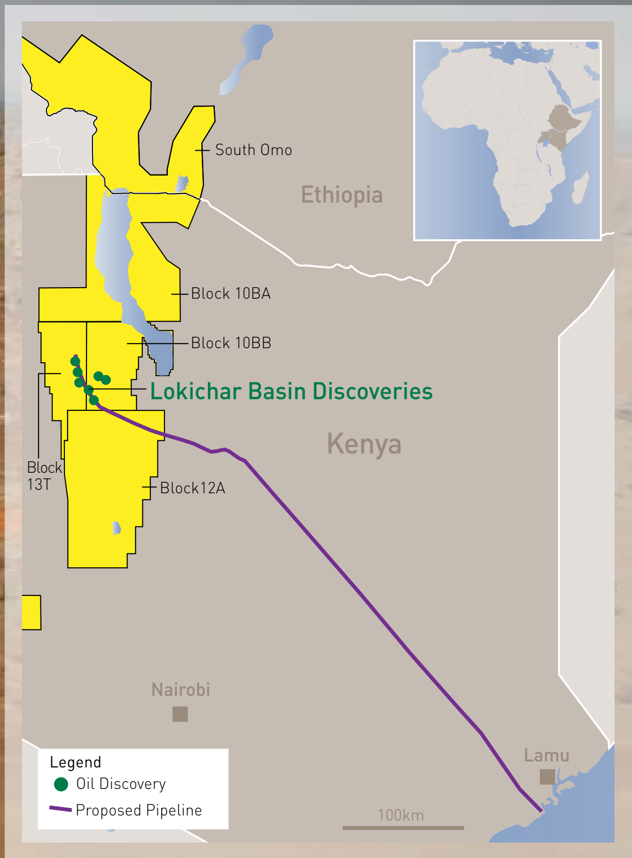
ESTIMATED BARRELS OF DISCOVERED RECOVERABLE RESOURCES (GROSS)

MAJOR ONGOING PROGRAMME

In 2013, we successfully flow tested the initial two oil discoveries of the Ngamia-1 well followed by the Twiga South-1 well. Both wells flowed at constrained rates of around 3,000 bopd of 25 to 35 degree API sweet waxy oil with no indication of pressure depletion. Unconstrained rates of over 5,000 bopd per well are considered possible. A significant programme of some 40 exploration and appraisal wells in the coming two years will assess not only the South Lokichar Basin but up to a further six separate Tertiary Rift Basins across Tullow's Kenyan acreage. Tullow is currently operating four rigs, including one test rig, in Kenya.

PROPOSED EXPORT PIPELINE

The proposed export pipeline route will run mostly underground over 850km from the Lokichar Basin to a marine terminal. As the waxy crude oil found in Kenya solidifies at ambient temperature, the pipeline will contain a specialised heating system to keep the crude oil flowing. Once built, the pipeline will be the longest heated pipeline in the world.



MILESTONES TO REACH PRODUCTION

Achieving first oil is dependent on many technological, legal, social and financial factors which have to be considered and agreed by a large group of stakeholders. In Kenya, the following key milestones need to be reached in order to progress development.

- Confirmation of commercial threshold oil volumes via field appraisal;
- Approval of Kenya's Petroleum Legislation;
- Commitment from all stakeholders to a Basin-wide Field Development Plan and subsequent Field Development Plans;
- Agreement and funding for regional infrastructure (major roads, rail and terminals);
- Agreement of basin-wide environment and social plans;
- Regional government alignment and support of export pipeline;
- Approval of pipeline route, terminal location and all fiscal and legislative frameworks;
- Land acquisition for export pipeline; and
- Securing investors for pipeline construction.

OPERATING IN A COMPETITIVE INDUSTRY

2013 has been a challenging year for many in the Oil & Gas sector, despite improving economic recovery and gains in equity markets overall. The sector has underperformed for a second consecutive year, as investors remain uncertain about the outlook of the oil price and the value of exploration success.

Economic and political overview

2013 was characterised by an improving economic recovery in certain developed markets. Economic growth in the US strengthened throughout the year, triggering a debate regarding when the Federal Reserve would taper its asset purchase programme. This asset purchase programme, also known as 'quantitative easing', has been widely viewed as the key support for both the US economy and its equity market. This debate about the timing of the tapering persisted throughout the second half of the year and variations in sentiment towards the outlook for tapering became dominant drivers of global equity and bond markets. Other key themes in 2013 included a large fiscal and monetary stimulus package in Japan; uncertainty over the outlook for Chinese economic growth that gave way to increased confidence at the end of the year following a re-acceleration of growth and fresh economic reforms; a shutdown of the US Government and brinkmanship around a further extension of the US debt ceiling; continued sluggish growth in the Eurozone, and ongoing conflict in Syria which at times threatened wider international involvement.

Equity markets

Equity markets achieved strong gains in 2013 as investors gained confidence in the outlook for the global economy and increasingly allocated funds towards equities and away from bonds, whilst significant quantitative easing programmes globally also continued to provide support. However, the FTSE Oil & Gas sector was one of the worst performing sectors in the market for the second consecutive year, reflecting concerns about the outlook for the oil price; mixed operational performance amongst the Majors; limited major global exploration advances; lack of M&A; changes in the equity ownership composition in the sector; and difficult financing conditions for smaller E&P companies. Additionally, the market increasingly focused on valuing companies in the sector on the basis of their 'core net asset value', placing less emphasis on recognising the potential value of companies' exploration and appraisal activities, further impacting share prices. In this context, Tullow's share price ended the year at 855p, down 32% compared with the year-end share price of 2012, notwithstanding the Group's progress in Kenya in particular.

> "IN 2013 THE TOTAL UPSTREAM SPEND ACROSS THE SECTOR INCREASED PAST £1 TRILLION FOR THE FIRST TIME."

Oil price

Brent crude started the year at $111.1/bbl, reaching a $119.0/bbl high in February and a $96.8/bbl low in April. The oil price dropped below the $100/bbl level in the first half of 2013 as the market was concerned over strong US supply growth through shale, sluggish demand and the potential for lower prices. However, sentiment improved moderately through the second half of 2013 as heightened geopolitical risks across the Middle East and North Africa emphasised that spare production capacity was limited. A modest recovery saw Brent crude trade above $105/bbl throughout most of the second half of 2013. Oil prices are currently forecast to remain broadly unchanged at around $105/bbl in 2014.

Competitive landscape

East Africa remained the main area of focus for exploration within the oil industry, with Tullow's successes in Northern Kenya being of particular note. Elsewhere, bidding rounds in Brazil were oversubscribed but the industry, and Tullow, began to look for business-to-business deals, with Tullow's farm-in to Pancontinental's acreage in Namibia being a good example. Following a very busy year in 2012, business development within Tullow was less active but new acreage positions were acquired in Namibia, Norway, Gabon, Guyana and Suriname. We also agreed farm-ins to Tullow acreage in Uruguay, Suriname, Côte d'Ivoire and Guinea; and completed the sale of Tullow Bangladesh.

In recent years the exploration industry, with the exception of Tullow and a few other peers, has shifted away from high-value conventional oil and instead pursued resource plays (e.g. shale oil, tar sands and hydraulic fracturing for gas) and conventional gas plays. More recently, as the costs of resource plays increase and the social and environmental issues associated with this type of hydrocarbon extraction remain high on the political agenda, companies are starting to rebalance their exploration portfolios to include conventional oil plays once again. This returning competition has resulted in some inflation of licence fees, higher service sector costs and a toughening of licensing terms. This has the effect of discouraging risk taking with exploration, which helps to keep oil prices up in the long term, alongside the strong global demand for oil and liquid hydrocarbon fuels because of ongoing population growth and global economic progress.

Increased investment and costs

Global upstream spending in 2013 continued to increase but at a slower rate than in recent years. Development expenditure in 2013 increased by around 5% to $620 billion, and the total upstream spend across the sector increased past £1 trillion for the first time. However, spending trends in 2013 suggest that upstream investment over the next three years will remain flat or increase slightly as the spending boom, which began in 2009, subsides. Nevertheless, some countries may see increases in spending, notably Australia, Norway and Brazil. Deepwater drilling and development may also continue to see increased spending.

Many of Tullow's core areas remain highly competitive and prone to inflation. In particular, deepwater activity in West Africa, Latin America and the North Sea all recorded cost inflation of over 10% in 2013 while onshore activities in remote areas continued to incur higher costs.

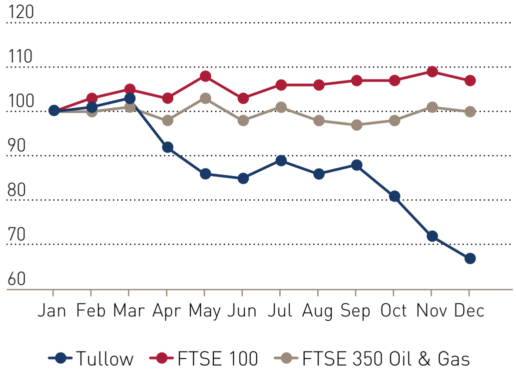
Regulation

Regulation of the oil and gas industry globally continues with transparency and local content being of particular focus in 2013. On 12 June 2013, the European Parliament voted in favour of new EU Transparency and Accounting Directives which created a legally binding requirement for EU-listed companies working in oil, gas, mining and logging to publish, in every country in which they operate, all payments of over €100,000. Tullow's 2012 Corporate Responsibility Report published all our tax and royalty payments to governments and was welcomed by campaigning NGOs. Tullow has fully complied with the new requirements and our transparency disclosure can be found on pages 52 and 175.

In November 2013, the Ghanaian Parliament passed the Petroleum (Local Content and Local Participation) Regulation Bill, which was passed to place Ghanaians at the forefront of oil and gas activities in Ghana. It is Tullow's expectation that other African countries are likely to follow Ghana's lead and make local content requirements for extractive companies legally binding. Tullow was consulted during the legislative process and made submissions through an industry body, the Exploration and Production Forum. Oil laws were also passed in Uganda aimed at regulating the entire sector ahead of planned production.

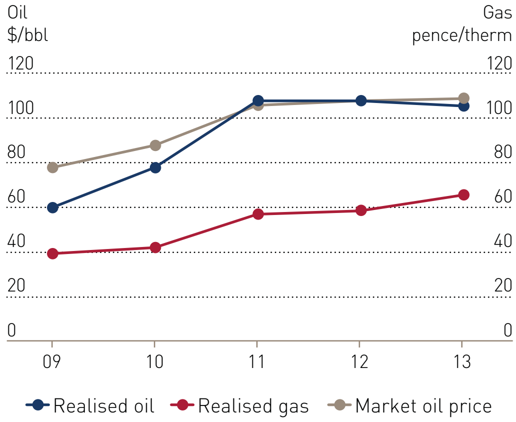
Equity markets

This graph shows the FTSE 100 throughout 2013 and how Tullow and the oil and gas sector performed compared to the overall FTSE 100.



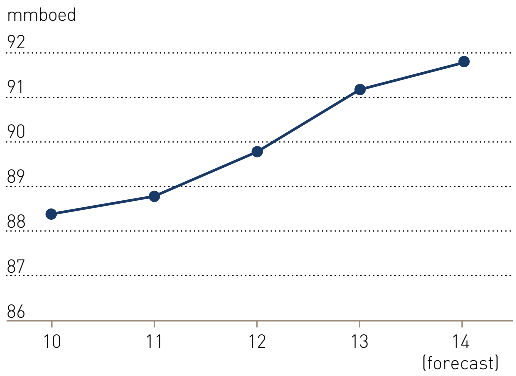
Oil and gas prices

This graph shows the market oil price over five years, as well as Tullow's realised oil and gas price for the same period.



Demand for oil

This graph shoes the global demand for oil over the past five years.



MONITORING THE PERFORMANCE OF THE BUSINESS

Tullow measures the Key Performance Indicators it believes are useful in assessing the Group's performance against our strategic objectives. This year we have included additional KPIs to better align our performance to our strategy.

Tullow tracks both financial and non-financial metrics across the Group to help us manage our long-term performance and achieve our business plans.

New performance measures for 2013

In 2013, the Executive Directors reviewed Tullow's existing KPIs alongside the components of its business model to ensure appropriate measures were in place that reflect the Group's strategic priorities and business plans. As a result, two additional corporate KPIs have been included: Contingent resources additions and revisions and finding costs which relate to our goal of adding an average of 200 mmboe of contingent resources each year. The Executive Directors considered that all its existing KPIs were still relevant in assessing the overall health and performance of the business. The corporate KPIs have now also been brought more in line with the remuneration performance targets.

Executive Director remuneration

Executive Director remuneration is directly linked to the Group's performance. The performance targets set for Executive Directors were updated for 2013, in line with an overhaul of the Group's remuneration policy. Executive Directors' performance related pay is decided by a balanced scorecard of financial and non-financial objectives that is linked to TSR, the EHS scorecard, working interest production, operating costs per barrel of oil equivalent (boe), finding costs per boe and a set of strategic targets relevant for the year. Each objective has a percentage weighting and financial indicators have a baseline and a stretch performance target.

In 2013, the Committee awarded Executive Directors and employees 30% of the corporate element of their annual bonus potential. Further information is in the table below and within the Directors' remuneration report on pages 108 and 109.

More information

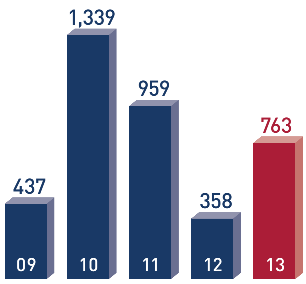
Directors' remuneration report → 98

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%)	–
Exploration (Finding Costs)	20% payable at threshold, increasing to 40% payable at target, increasing to 100% payable at stretch	10% (60%)	10% (60%)
EHS	Leading and lagging quantitative and qualitative measures	10% (60%)	6% (36%)
Strategic Targets	Six specific strategic targets (see page 109)	20% (120%)	14% (84%)
Relative TSR	20% payable at median, increasing to 100% payable at upper quintile against a bespoke group of listed exploration and production companies measured over 2013	50% (300%)	–
Total		100% (600%)	30% (180%)

Reserves and resources replacement

763%



Resources growth is an important aspect of high-grading the Group's portfolio. This can include acquisitions, new ventures, new licences and farm-downs. Reserves and resources replacement is a key indicator of exploration success and field performance and measures the percentage of production that has been replaced during the year. In addition, Tullow undertakes active portfolio management as part of driving resources growth.

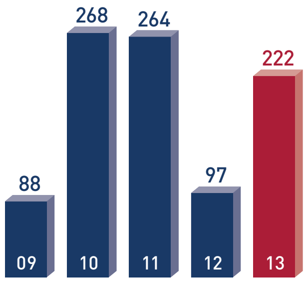
Measurement
A Group reserves report is produced by an independent expert who conducts a review of each field at least every two years or when there is significant new data that indicates a material change to commercial reserves or contingent resources.

Risk management
The Group manages replacement risk by exploring for high-value light oil in conventional plays in chosen core areas. We also focus on maximising reservoir performance in producing fields through technical and operational capability.

2013 performance
The Group achieved over 750% organic reserves and resources replacement in 2013 and total reserves and resources are 1,409 mmboe at the year end. Group resources increased due to discoveries in Kenya (Agete) and Norway (Wisting) and further appraisal in Kenya and Uganda.

Contingent resource additions and revisions

222 MMBOE



Tullow's exploration-led strategy targets resource additions of 200 mmboe per annum with an exploration and appraisal investment of $1 billion per annum.

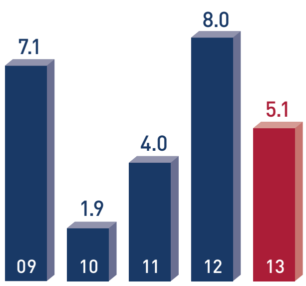
Measurement
Contingent resources are based on a Group reserves report produced by an independent engineer. Resource estimates are reviewed by the independent engineer based on significant new data received following exploration or appraisal drilling.

Risk management
Tullow takes a campaign approach to exploration which reduces the overall risk as activity is spread across numerous prospects. We further reduce the risk with technical excellence and an experienced team.

2013 performance
Tullow's 2013 exploration programme delivered its target of adding 200 mmboe to contingent resources. In 2013, 222 mmboe was added to contingent resources of which 98% was oil.

Finding costs per BOE

$5.1 PER BOE



Finding costs are an indicator of exploration success, financial discipline and operational delivery.

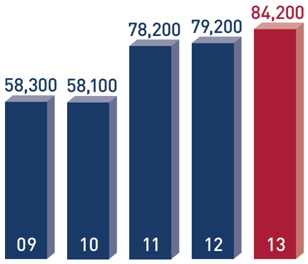
Measurement
Finding costs are calculated by dividing exploration and appraisal capital investment by additions and revisions to contingent resources. The capital investment is based on intangible exploration and evaluation assets additions. Additions and revisions to contingent resources is based on 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.

2013 performance
Finding costs for 2013 were $5.1/bbl, achieving our stretch target, after delivering 222 mmboe of contingent resources. In this calculation, Norway exploration costs are included net of the 78% rebate, which reflects the substantial tax benefits and consequent net cash costs incurred for Norway exploration activities.

Working interest production

84,200 BOEPD



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 high-margin significant annual cash flow.

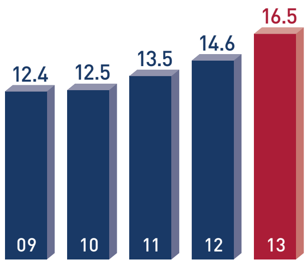
Measurement
Daily and weekly production is monitored for all key producing assets and reported weekly to senior management and on a monthly basis to the Board. Regular production forecasts are prepared during the year to measure progress against annual targets.

Risk management
We can mitigate unplanned interruptions 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 our production from lower-value gas in mature fields to high-value light oil production in new areas.

2013 performance
The Group's working interest production in 2013 was 84,200 boepd, which was below the baseline production target of 91,200 boepd. The shortfall was principally due to the Jubilee field which had operational difficulties on the FPSO. The stretch target for 2013 was 100,320 boepd.

Cash operating costs per BOE

$16.5 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.

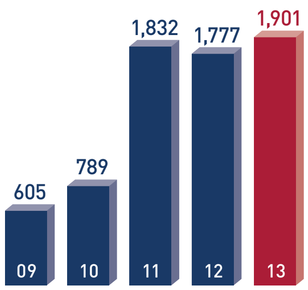
Measurement
Operating expenses are monitored closely to ensure that they are maintained within preset annual targets and are reported each month on an asset-by-asset basis.

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.

2013 performance
Operating expense for 2013 achieved the Group's baseline target of $16.1 per boe, after taking account of the uncontrollable effect of royalty on reported figures in relation to oil price. This was achieved due to strong cost management and operational delivery. The stretch target for 2013 was set at $15.3 per boe.

Operating cashflow before working capital

$1,901 MILLION



Our goal is to ensure that operating cash flow funds a significant proportion of the Group's annual capital expenditure. In 2013, capital expenditure was $1.8 billion and capital expenditure is forecast to be $2.2 billion in 2014.

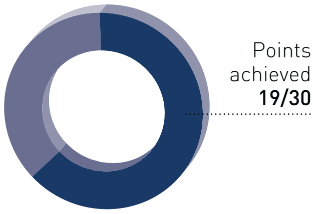
Measurement
Operating cash flow before working capital and divestment proceeds is reported monthly, with regular forecasting for longer periods to support long-range planning and investment decisions.

Risk management
Strong financial and operating management with disciplined monitoring and reporting. The Group manages liquidity through long-range cash flow forecasting and strong banking and equity relationships. Annual and project budgets require Board approval.

2013 performance
Tullow generated strong operating cash flow of $1.9 billion in 2013. This was a 7% increase on 2012, due to higher sales volumes. Production sales volumes averaged 74,400 boepd in 2013 and realised oil prices were in line with 2012 average levels.

EHS scorecard

19/30



Tullow used an EHS balanced scorecard for a second year in 2013 which provides a more 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 10 leading and lagging indicators that could have a significant impact on Tullow's business. Each indicator 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 10 targets would result in a score of 30. Further details of the EHS scorecard can be found on page 54 of this report.

Risk management

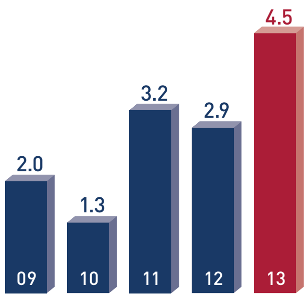
Early identification of potential risks can mitigate EHS events for all of our operations and activities. EHS is the responsibility of all personnel in Tullow and is overseen by the Group's Chief Operating Officer, supported by an EHS strategy group and over 100 EHS professionals embedded in the business.

2013 performance

In 2013, we achieved 19 points out of a total maximum of 30. While we performed well in the majority of leading indicators, we missed our lagging target of reducing the number of uncontrolled releases/loss of containment incidents. We had partial delivery of the closeout of investigations of level 4 and 5 incidents and lost time incidents, and partially met our target in contractor management.

Staff turnover

4.5%



Our workforce grew 14% to 2,034 people in 2013. Tullow has made further progress with succession planning and talent management to ensure we have appropriate people to deliver our future growth plans and major projects. Our goal is to build and retain a strong, unified team and be the employer of choice amongst our peers.

Measurement

Staff turnover rates are measured on an ongoing basis. Leavers go through a debriefing process to collect feedback and to help to improve the Group's people policies and practices. A global employee and contractor survey is conducted every two years which results in clear action plans to resolve issues raised.

Risk management

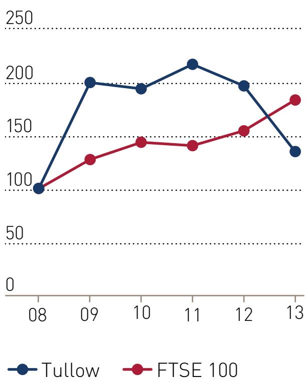
We can avoid unexpected leavers and a skills shortage by appropriately managing, recognising and rewarding our staff. We must continue to develop our people and provide suitable training opportunities in a strong and positive working environment.

2013 performance

Staff turnover in 2013 was 4.5%. We see one of the drivers for the increase in turnover is the growth in our total workforce headcount. There is no specific stretch or baseline target set for staff turnover. Over the past five years the Group has achieved a staff turnover rate of less than 5%.

Total shareholder return

-32%



Tullow's exploration-led 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 movement and dividend performance) is reported monthly and at year-end to the Board. TSR is measured against an industry peer group, which is regularly reviewed, and the FTSE 100. For the purpose of remuneration, TSR is calculated from the fourth-quarter average relative share price.

Risk management

Tullow has a consistent and clear strategy. The Group undertakes a three-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 page 13 of this report. The business plan is aligned with the Group's strategy, strategic priorities and business model.

2013 performance

The Group experienced a negative 32% TSR in 2013 based on the year-end share price, compared with negative 9% in 2012. 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 2013 relative to the fourth quarter of 2012, Tullow was ranked 15th out of 18 peers for TSR performance.

OUR UNIQUE APPROACH TO EXPLORATION

Tullow focuses on finding commercial light oil in conventional geological plays where we have proven expertise. With technical excellence, this long-term strategy is driven by a team with unparalleled experience.

Tullow's 2013 exploration and appraisal programme has delivered its target of finding an average of 200 mmboe of which 98% was oil. This achievement means we have discovered an average of 200 mmboe per year over the last seven years. Over this period, 60% has been discovered onshore and 40% offshore.

In 2013, our onshore East Africa Rift Basins campaign continued to be very successful in Northern Kenya, with a further three oil discoveries. With early successes in 2014 on top of the original discoveries in 2012, seven out of seven successful wells have been drilled, in the first amongst a chain of similar Tertiary Rift Basins. Our onshore acreage in northern Kenya and southern Ethiopia has the potential to become a significant new hydrocarbon province.

In Norway, our significant basin-opening Wisting Main oil well and upward revisions through Jubilee appraisal added new oil volumes from our offshore exploration campaigns. This achievement is balanced against notable dry holes in French Guiana and Mozambique, an inevitable consequence of high-impact but high-risk offshore exploration and appraisal campaigns. As we learn from these wells, successes and failures alike, we home in on the highest value, biggest volume and lowest cost conventional oil plays, which become the focus for our future campaigns.

ANGUS McCOSS EXPLORATION DIRECTOR

"WHILE SOME CAMPAIGNS MAY FLOURISH ONE YEAR, OTHERS MAY NOT, SO CAPABILITY & CAPITAL CAN BE SHIFTED TO WINNING CAMPAIGNS & REDUCED FROM THE TRAILING PROGRAMMES."

Strategic positioning for exploration
Our selection of areas to explore for oil begins with some fundamental tests against the Group's strategy. Principally, we ask if the opportunity targets material commercial oil in conventional plays in Africa or the Atlantic Margins. If so, we then measure how much its addition would improve our portfolio in terms of realisable potential value, and what other assets or opportunities it may supersede or outrank. We also reflect on what it will take to manage our consequent social, environmental, safety, security, regulatory and other operational obligations.

Tullow also prefers to explore in areas which are not overly competitive, as we believe this results in better, more material licence areas and more favourable terms from host governments. We target acreage where material neighbouring positions can be built up, allowing us to expand on initial successes and economic synergies, without accumulating excessive expenditure commitments.

Continued focus on Africa and the Atlantic Margins
While larger exploration and production companies may tackle the whole world, we focus on one continent and one ocean basin. We calculate that this footprint strikes the right balance for Tullow in terms of spreading risk across our portfolio, whilst developing and leveraging knowledge and relationships in these core territories.

Exploring in Africa has brought experience of the Atlantic Margins so it makes geological sense to pursue those related oil plays. In doing so, we can hedge our business and technical risks through exploring in Northern Europe and the Americas, whilst retaining Africa as our core continent.

Explaining exploration campaigns

An 'exploration campaign' is an integrated and focused set of geological, commercial, engineering and operational activities which aims to test and unlock the petroleum potential of a basin or play. This approach differs from ventures which aim to achieve the same result with a single wildcat well. Tullow takes a campaign approach to exploration for a number of reasons, which include:

- Reduced overall risk – activity is spread across numerous prospects;
- Dynamic approach – while some campaigns may flourish one year, others may not, so capability and capital can be shifted to winning campaigns and reduced from the trailing programmes;
- Regional approach – acquired data can be more holistically combined and analysed for better scientifically-based technical decision making;
- Commitment – campaigns demonstrate our commitment to countries that contract Tullow to explore for oil in their licences; and
- Economies of scale – achieved in campaigns through bulk purchasing, local content, shared infrastructure and capacity building.

Through campaigns Tullow therefore hedges the intrinsically high risks in frontier exploration through a balanced portfolio of six parallel E&A campaigns in the East African Rift Basins, East African Transform Margin, West African Transform Margin, the South American Transform Margin, the North Atlantic Margins and high-impact exploration campaigns in the Central Atlantic Margins.

East African Rift Basins: new petroleum province potential

Tullow's exploration programmes, geophysical surveying and drilling in the onshore Tertiary Rift Basins of Uganda, Kenya and Ethiopia are being carried out simultaneously. At the regional scale we are establishing which of the 12 Tertiary Rift Basins within our portfolio are oil bearing. So far we have drilled in three Tertiary Rift Basins and found two to be material oil regions (Lake Albert in Uganda and the South Lokichar basin in Kenya). Further wildcats during the next three years will determine how many of the remaining basins in our portfolio are also oil bearing and if several are successful, then Tullow and its partners hope to declare the rare opening of a new petroleum province. For more details on East Africa, with specific focus on Kenya, see our special feature on page 18.

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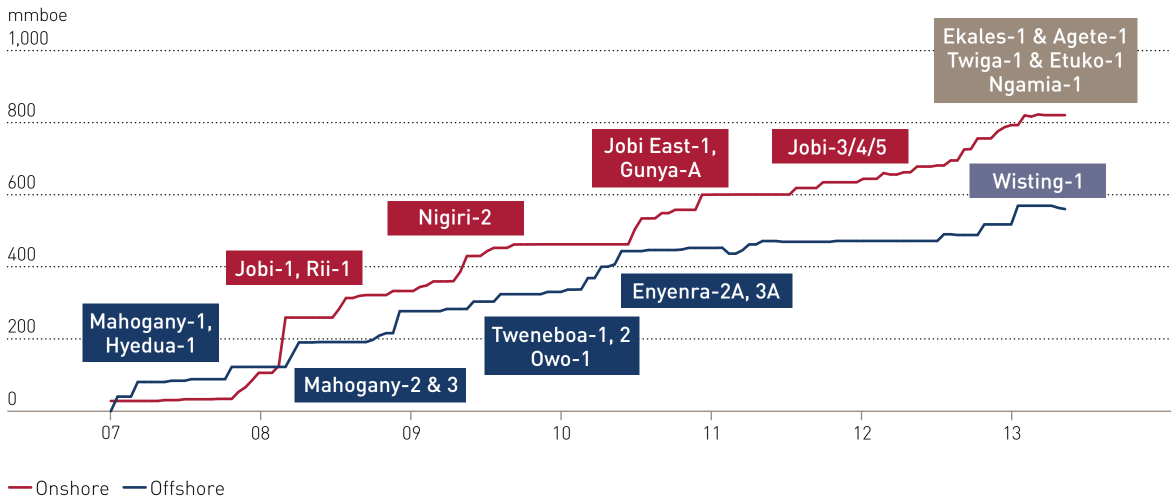
SUSTAINED EXPLORATION SUCCESS

This diagram shows the upward trend of contingent resource additions and also highlights key wells over the past seven years.



HIGH-QUALITY PRODUCTION

Strong, high-margin production fuels Tullow's exploration-led strategy. Carefully managing our technical and non-technical risks is critical to maximising the value from our portfolio of assets and sets us apart in terms of our ability to operate in challenging environments.

In 2013 we have continued to grow our high-margin West Africa production, which has allowed us to initiate the divestment of our non-core production in Asia and the Southern North Sea. The West African production comprises our operated Jubilee field production in Ghana and a portfolio of non-operated interests predominantly in Gabon, Equatorial Guinea and Côte d'Ivoire.

As we look to the second half of this decade, Tullow has a portfolio of development opportunities that will continue to grow the Group's production and cash flow. In West Africa, the TEN development will add materially to production from 2016. In East Africa, we are focused on our discoveries in both Uganda and Kenya, which should lead to very material production starting from around 2018 onwards.

Selective developments

We continue to be selective with which assets we take through the development phase to deliver strong long-term production and cash flow. Our current focus is on our operated developments in Ghana and East Africa. We have built up our operating capability over a number of years such that we have the skills to manage this diversity; deepwater developments offshore West Africa and major onshore developments in East Africa. This operating capability is critical to ensure we can progress these developments at a pace that meets the requirements of our host governments.

PAUL McDADE CHIEF OPERATING OFFICER

"OPERATING CAPABILITY IS CRITICAL TO ENSURE WE CAN PROGRESS DEVELOPMENTS AT A PACE THAT MEETS THE REQUIREMENTS OF OUR HOST GOVERNMENTS."

Success in Ghana

In Ghana, we have already delivered material development and production success at Jubilee and we continue to concentrate on ensuring the safe and efficient operation of this major deepwater field. There is also significant potential for incremental investments in Jubilee to continue to enhance the recoverable reserves and extend the production plateau for Jubilee to the end of the current decade. There are also opportunities to tie back nearby non-operated discoveries which would maximise the use of the existing infrastructure.

We also operate the TEN development, offshore Ghana, which is the country's second major deepwater development. It will have its own FPSO, which is currently being constructed in Singapore, and subsea infrastructure was sanctioned and contracts placed in 2013. The TEN development will be on stream around the middle of 2016 and when it reaches plateau production in 2017 we expect to be operating over 200,000 bopd offshore Ghana. Production revenue from Jubilee, local employment and supply contracts are already making a very significant contribution to the Ghanaian economy, and we will ensure this is continued.

Developments in East Africa

In East Africa, following major exploration success, we now have material discoveries in both Uganda and Kenya. In Uganda, our exploration success has delivered around 1.7 billion gross barrels of oil. Following the divestment of 67% of these resources at the beginning of 2012, we are now working to develop these fields to deliver substantial long-term production and cash flow.

Although progress in Uganda has been slower than anticipated, this has allowed us to make material progress in our exploration activities in Kenya. Our 100% exploration success in South Lokichar in Kenya has delivered material discoveries which can now progress towards development. Our focus is now on progressing both the Kenyan and the Ugandan developments to a common timeline. This is significant as it will allow material regional infrastructure synergies, especially in the export pipeline which will be designed to commingle both Kenyan and Ugandan crude and export it to the Indian Ocean. These oil resources will have a major impact on the economy in East Africa and we are working closely with the Governments of Kenya and Uganda, local communities and other stakeholders to ensure these resources are developed in a manner that delivers maximum benefit to all stakeholders. This is an important responsibility and is not one that we take lightly.

Strong focus on safety and sustainability
Environment, Health and Safety (EHS) is core to all of our operated activity and is an essential component of our license to operate. Similarly, our commitment to shared prosperity is a core commitment for Tullow.

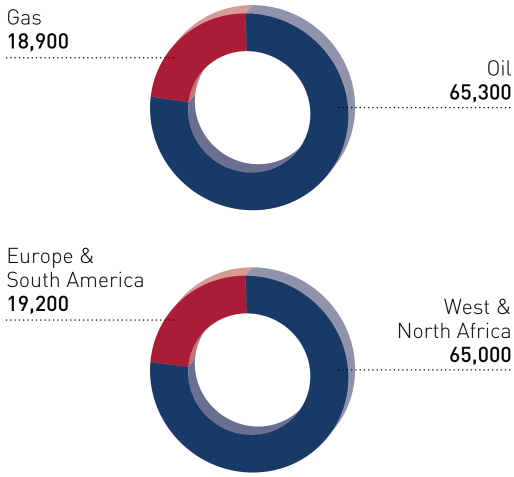
To ensure above-ground risks are being managed in an integrated manner, we have restructured our organisation to create a new functional area of Safety, Sustainability and External Affairs (SSEA). This change will ensure that our focus on and performance in these areas of above-ground risks will continue to improve as our operations, especially onshore East Africa, grow in scale and complexity.

The ongoing importance of this was highlighted in 2013 when community unrest occurred at our operations in northern Kenya. The unrest led to a suspension in operations but Tullow acted quickly and within a week of the disturbances, we had negotiated a Memorandum of Understanding with the Minister of Energy in Kenya, setting out a clear roadmap for the national and county governments, local communities and Tullow to work together to ensure that operations could resume. This does not mean that the overall problem is solved in Kenya or elsewhere, and the management of both local communities and overall expectations is an ongoing and critical challenge that Tullow has to rise to.

Also in 2013, we focused on the material risks associated with our well engineering and production operations. I am pleased to say that we performed well over the last year against the specific safety performance targets adopted in these areas, but we must not be complacent. Other key safety risks that we focused on over the last year were road transport, contractor management and the quality of the investigations performed on safety incidents which occurred in our operations. Over the year we continued to strengthen and test our emergency response and oil spill response capabilities in all of our areas of operations. When we evacuated staff and contractors from our operations in Northern Kenya, we were able to demonstrate that our procedures were robust when tested in a live situation.

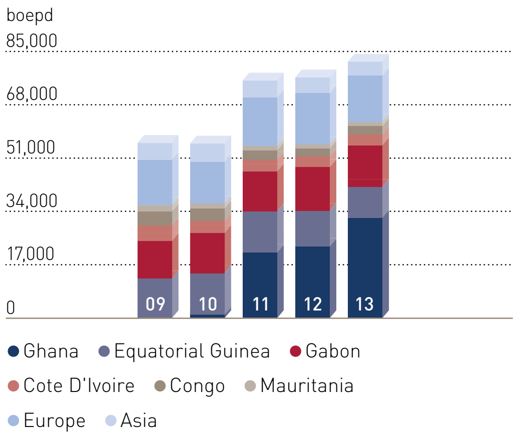
Group working interest production

84,200 BOEPD



Working interest production

84,200 BOEPD



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DIVERSIFIED FUNDING & STRONG FINANCIAL DISCIPLINE

Our 2013 financial results delivered solid revenue, gross profit and cash flow growth, principally due to increased production from the Jubilee field in Ghana and robust oil and gas prices. During the year we strengthened our balance sheet by diversifying our sources of funding with the issue of a $650 million corporate bond.

Strong cash flow is a key factor in funding Tullow's exploration-led growth strategy. In 2013, operating cash flow before working capital movements increased by 7% to $1.9 billion (2012: $1.8 billion). During the year we have continued to grow the foundation of this cash flow – our high-margin West Africa production. This comprises our operated Jubilee field and a portfolio of non-operated interests predominantly in Gabon, Equatorial Guinea and Côte d'Ivoire. Significant incremental investment opportunities also remain across our current production portfolio which should allow us to maintain and grow cash flow from these assets, providing a solid financial foundation for funding the business.

Despite strong cash flow, profit from continuing activities after tax decreased 68% to $216 million (2012: $666 million) and basic earnings per share were similarly impacted, due to a combination of reasons. These included a decrease in profit on disposal of $670 million compared with 2012, which included the gain on the $2.9 billion Uganda farm-down; an increase in exploration costs written off of $200 million to $871 million (2012: $671 million), details of which are on page 68; partially offset by a $100 million, 7% increase in gross profit to $1.4 billion (2012: $1.3 billion) principally due to a 9% increase in sales volumes and a 13% increase in sales revenue to $2.6 billion in 2013 (2012: $2.3 billion); and a reduction in the income tax charge of $353 million to $97 million (2012: $450 million) reflecting lower profit before tax and the benefit of Norwegian deferred tax credits in relation to exploration write offs.

IAN SPRINGETT CHIEF FINANCIAL OFFICER

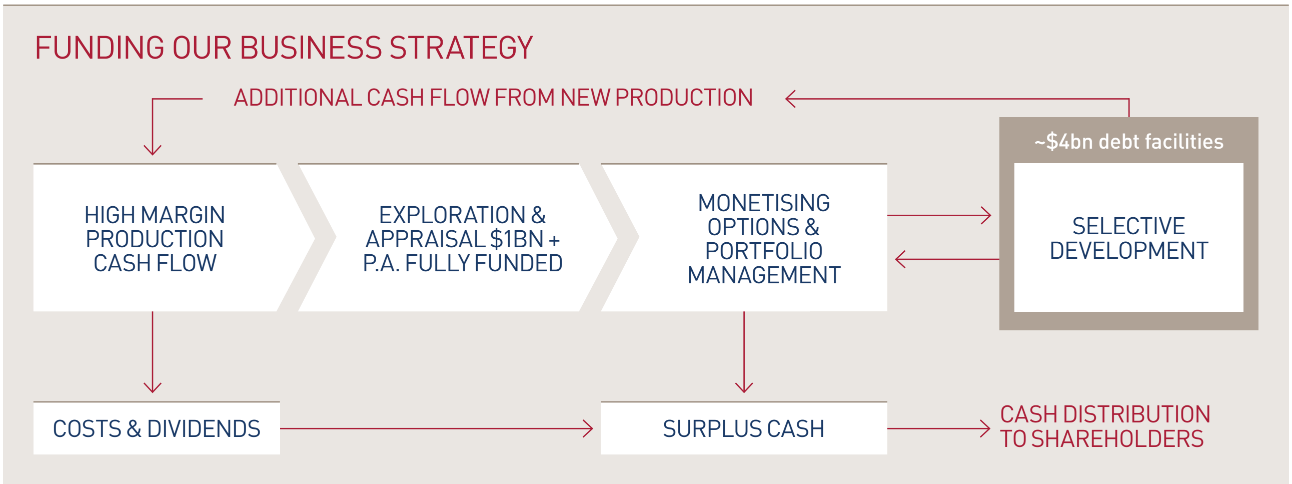
"OUR FINANCING INITIATIVES ARE PART OF A CLEAR FUNDING STRATEGY THAT UNDERPINS OUR BUSINESS STRATEGY. THIS GIVES US BOTH FINANCIAL STRENGTH & BALANCE SHEET FLEXIBILITY."

Disciplined capital management

Over the past four years we have invested $6.3 billion in the business, including $1.8 billion capital expenditure during 2013. In 2014, based on our current work programmes, our capital expenditure for the year is forecast to be $2.2 billion. During the period we have created a robust financial framework by managing our capital expenditure exposure successfully through growth in our cash flow to close to $2 billion, monetisation of assets in Uganda and diversifying our sources of funding.

Strong balance sheet

Our financing initiatives are part of a clear funding strategy that underpins our business strategy. This gives us both financial strength and balance sheet flexibility. We combine commercial bank facilities, debt capital markets, multilateral project financing, operating cash flow and portfolio management to fund the business. Growth in production has allowed us to initiate the divestment of our non-core production in Asia and the Southern North Sea, while sustaining our cash flow from operations. This is part of our drive to upgrade our portfolio and move production growth to higher-value oil in new fields. We also have an ongoing process to reduce our equity in the TEN development in Ghana, where first oil is expected in 2016.



Tullow has $4.3 billion debt facilities and, as at the end of December 2013, we had net debt of $1.9 billion and a unutilised debt capacity of $2.4 billion. We also maintain a conservative financial profile and an appropriate gearing level of 35% at the end of the year.

Revenue transparency

The taxes we pay to governments are the most significant economic contribution we make to our countries of operation. We are committed to the transparent disclosure of payments to all our major stakeholder groups and published this information for the first time in our 2012 Corporate Responsibility Report; acting ahead of any regulatory requirements. In June 2013, an EU Accounting Directive was finalised which requires companies in the extractive industries to disclose payments made to governments by project or Company level as appropriate in each country of operation. EU member states must enact relevant legislation by 2015, and the UK is expected to do so in 2014.

This year we have decided to make three significant changes to the way we report this information to align with the requirements of the Directive. We have updated the payment categories specified, we have reported on a project or Company level as appropriate for our operations and we have changed to a cash basis, compared with an accounting basis in 2012. We have also provided a range of voluntary disclosures in relation to other payments to governments such as VAT and withholding tax and are publishing earlier in our Annual Report. For clarity and comparison we have restated our 2012 disclosures.

In 2013, Tullow's total payments to governments including payments in kind[1], amounted to $870 million (2012: $696 million). Payments to all major stakeholders including employees, shareholders, suppliers and communities brought our total socio-economic contribution to $1.6 billion for the year (2012: $1.3 billion). Full details are on page 52 in this report.

Uganda tax and legal issues

In 2012, we included $142 million in the Group's tax charge in relation to disputed capital gains tax on the Uganda farm-down to Total and CNOOC. This is currently going through a legal process and on the advice of senior counsel, both in international and Ugandan law, we believe we have a strong case and expect the most probable outcome to be that any liability will be similar to the amount already paid on account. Also in relation to the Uganda farm-down, we continue to have a receivable on our balance sheet at 31 December 2013 of $358 million contingent consideration from Total and CNOOC which relates to a historical working capital adjustment. The actual amount recoverable is dependent on the timing of the receipt of certain project approvals and is expected to be settled in full. These matters are explained more fully on pages 135 and 136.

2014 outlook

Tullow has a large asset base diversified across high-value production, selective developments and high-impact exploration. The business generates strong operating cash flow through high-margin production and ongoing portfolio management. We fund our activities through disciplined capital management and maintaining a strong financial profile. The principal short-to-medium term risks to our performance are outlined on page 43 and these reflect the opportunities and strategic performance objectives we have set ourselves this year as part of the 2014 to 2016 business plan. Overall, we expect 2014 to be another year of progress for Tullow with further growth in the business, continued exploration success and headway being made with major developments and portfolio management.

1. For illustrative purposes, we have calculated a notional $ value for royalties paid as barrels of oil using Tullow's realised oil price after hedging for 2013 of $105.7 per barrel.

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PROTECTING OUR BUSINESS & OUR STAKEHOLDERS

Tullow operates in the oil and gas industry, which is intrinsically higher risk than many other sectors. This requires a dynamic and proactive culture across the business, to ensure that we consistently identify, evaluate and mitigate the financial, technical and non-technical risks that we encounter as we manage our diverse portfolio of exploration and production assets.

We recognise the importance of having an effective system of internal controls and risk management. Our Board and Committees work together with the Executive Directors and Senior Management to ensure we achieve strong risk management in how we run our business. This helps us to protect our employees, contractors and Company; to safeguard the communities and the environments where we operate; and to develop productive relationships with our host governments. Given the potential magnitude of some of the risks we face, either in terms of their impact or the opportunity cost, it is clear that the management of risk is central to achieving our long-term strategic objectives and our short-to-medium-term business plans.

Throughout 2013, the Group focused on developing risk management capability in several key areas:

- A new Board-level EHS committee, chaired by non-executive Director Anne Drinkwater, was formed in early 2013 in response to the expanded scope and scale of Tullow's operations. It undertook four meetings during the year. There is a detailed EHS Committee report on pages 96 and 97 of this report;
- The Compliance Committee, chaired by Graham Martin, Executive Director and Company Secretary, provided valuable support to help embed the Code of Business Conduct compliance programme across the Group. The Committee mandated that the annual Code certification process be extended to all employees and contract staff in 2013, an initiative successfully achieved. The Committee also approved recommendations to enhance Tullow's bribery and corruption risk assessment process and update our Code of Business Conduct in 2014;
- Tullow's Global Exploration Leadership Team (GELT) formalised a review of social and political risks associated with prospects in new countries or existing licences. While the GELT remains a technical decision-making body, the evaluation of social and political risks enables the team to consider what mitigation plans may be required prior to any decision to proceed, including whether a seismic campaign or well location could be reconfigured to avoid unnecessary social or environmental impacts;
- In key countries of operations, we have worked to map political stakeholders, establish the potential risks and opportunities and plan accordingly. We have also developed a practical political and social risk guide for business units, to assist them in implementing best practice processes, tools and governance models for political/policy risk identification and mitigation. This includes an issues management framework, risk identification processes and strategic external engagement planning;
- A new Emergency Preparedness, Incident Management and Business Continuity Standard was introduced in 2013 accompanied by a related KPI, which is part of the Group EHS scorecard. The Standard and KPI are designed to ensure appropriate focus is given to the level of emergency preparedness and incident management training being undertaken across all Tullow operations, reinforced through a single Group framework and standard that is aligned with the scale of operation activities associated risks; and
- In early 2014, a new Executive Committee was formed, to assist the Executive Directors in running the business. This Committee comprises the Executive Directors and ten regional and functional leaders. A number of new positions were created as an integral part of the Executive Committee, including a Vice President of Safety, Sustainability and External Affairs, to enhance our approach to the management of above-ground risks.

> "THE MANAGEMENT OF RISK IS CENTRAL TO ACHIEVING OUR LONG-TERM STRATEGIC OBJECTIVES."

2013 SHORT-TO-MEDIUM TERM RISKS & UNCERTAINTIES

2013 key risks and uncertainties	Performance during the year
Receive appropriate approvals from Ugandan authorities, followed by commencement of the PoD	A Memorandum of Understanding (MoU) defining the commercial framework for Uganda's oil industry was signed in early 2014 between the Government of Uganda, Tullow, CNOOC and Total. The MoU lays out a market framework for Uganda as a future oil producer, consisting of a crude export pipeline from the Lake Albert Basin to the Kenyan coast, to be developed in parallel with a right-sized petroleum refinery and the use of petroleum for power generation. The Ugandan and Kenyan Governments have in principle agreed joint initiatives for a crude oil pipeline.
Receive TEN PoD approval from the Ghanaian Government and commence development	The TEN development project, Tullow's second operated deepwater development in Ghana, is making significant progress after the PoD was approved in May 2013 and all key contracts have now been awarded. In October 2013, the Centennial Jewel trading tanker arrived in the Jurong Shipyard in Singapore, where it will begin its conversion into the TEN FPSO. The process for reducing Tullow's stake and capital commitments in the TEN Project is ongoing, with proposals being evaluated. First oil is targeted in mid-2016.
Successful management and mitigation of above-ground risks given local elections and political uncertainty in key African countries of operations	To ensure our above-ground risks are being managed in an integrated manner we have restructured our organisation to create a new functional area of Safety, Sustainability and External Affairs (SSEA).
Successful delivery of exploration programme and asset monetisation options	Tullow's exploration programme added over 200 mmboe to contingent resources in 2013 through important wells in Kenya and Norway from an exploration expenditure of $1 billion. In line with Tullow's strategy, the exploration campaigns have now added an average of 200 mmboe per year to the Group's contingent resources over the past seven years. However, not all wells were successful and Tullow's exploration write-offs for 2013 were $871 million. Tullow has completed the sale of its Bangladesh assets and is awaiting Government consent to complete the sale of its Pakistan assets. As previously announced, the sale of our UK and Dutch assets is being restructured. The process for reducing Tullow's stake and capital commitments in the TEN Project is ongoing, with proposals being evaluated.

2014 TO 2016 SHORT-TO-MEDIUM TERM PERFORMANCE RISKS

Each year Tullow identifies a number of key risks and uncertainties with regard to the successful delivery of the Group's business plan. These short-to-medium term risks are set out below, and indicate the principal risks associated with the 2014 to 2016 business plan period.

- Avoid sustained exploration failure and consistently deliver 200 mmboe Contingent Resources each year;
- Deliver major projects on time whilst ensuring safe operations;
- Resolve key commercial and tax issues in Uganda to allow progress to PoD approval;
- Ensure sufficient liquidity by reference to sustained operating cashflow, future capex plans and the delivery of portfolio activity; and
- Successful management and mitigation of above-ground risk given local elections and political uncertainty in key African countries of operations.

More information

To get a more complete view of Tullow's risk profile and mitigation processes, please read the section on the Group's long-term or 'evergreen' risks on pages **72** to **77** of this report.

COMMITTED TO GOOD GOVERNANCE

Your Board remains focused on building organisational capacity and improving risk management and corporate governance, without compromising Tullow's entrepreneurial culture.

DEAR SHAREHOLDER

During the course of the year, the Government and various regulatory bodies have introduced a number of new disclosure and reporting requirements, while the Financial Reporting Council continues to urge companies to 'cut the clutter' in Annual Report and Accounts. In this introduction I will briefly outline your Board's activities during 2013 and how we have sought to address these two objectives.

Board performance in 2013

The core purpose of the Board is to set the Group's strategy to deliver long-term, sustainable value for the benefit of all stakeholders. To achieve this, the Board seeks to ensure that we have the right people, processes and organisational capabilities to help manage current and future opportunities and challenges across the Group. In 2013, the Board set specific objectives in six areas (see page 84). Execution of strategy achieved mixed results, with success in exploration, resource allocation, financing and cost management, but some delays in portfolio management.

Risk management processes continued to improve. The newly formed EHS Committee has provided a valuable forum for more detailed discussion, notably of process safety, while the development of new country-specific 'non-technical risk' strategies has resulted in improved action and resourcing plans. Internal controls and reporting continue to be strengthened and 88% of staff have now received training on the Tullow Code of Business Conduct (COBC). During the year internal investigations uncovered two cases of fraud. Whilst these breaches are clearly disappointing, we are encouraged by the increased awareness of the COBC and the willingness of staff to use 'whistle-blowing' facilities.

The Westgate terrorist attack in Nairobi took place immediately prior to the planned Board visit to Kenya. We therefore deferred the visit to early 2014 as many Government officials were understandably not available. Community unrest at our operations in northern Kenya underlined the importance of continuing to strengthen our engagement with communities, and with local and central Government. The MOU negotiated and signed in the wake of the disturbances clarifies the responsibilities of all parties to contribute to the successful development of the project.

Also during the year, all Directors completed their personal development plans and the Board received presentations from a range of external experts drawn from academia, civil society and the City.

Board evaluation in 2013

An independent evaluation of Board performance was conducted by Lintstock at the end of 2013. The process consisted of a questionnaire, one-to-one interviews conducted by Lintstock with each Director, and a Board discussion of the conclusions and recommendations. Overall, the conclusions of the report were very positive but some areas for improvement were identified. These include improving the annual planning cycle; ensuring that each of the Executive Directors makes a fuller contribution to debates; and a more systematic approach to reviewing outcomes from past decisions and progress against strategic objectives. There was strong alignment on the main challenges and opportunities facing the Group, which are reflected in the 2014 Board Objectives set out on page 85.

Corporate governance

The revised UK Corporate Governance Code (the Code) requires that the Board should state that they consider that the Annual Report and Accounts taken as a whole is 'fair, balanced and understandable'. Whilst clearly a judgemental issue, it has always been the intention of your Board to present an Annual Report and Accounts that is fair, balanced and understandable and to ensure that, so far as is possible, it presents a comprehensive and impartial view of the Company's business. The Code also requires the Board to state that the Annual Report and Accounts provides the information necessary for shareholders to assess the Company's performance, business model and strategy. We believe that the disclosure on strategy and business model set out on page 15, and the key performance indicators that we use to measure both financial and non-financial performance (and to set performance-related remuneration for senior executives), meet this requirement.

This year, there are additional reporting requirements for the Audit Committee, which include an expanded Auditor's Report; a description of the significant issues considered by the Audit Committee during the year; and an assessment of the effectiveness of the external audit process. These requirements have been reviewed and discussed by the Audit Committee with the outcomes addressed in the Audit Committee Report on pages 89 to 93.

New regulations from the Department of Business, Innovation and Skills (BIS) governing carbon reporting and remuneration also came into effect in 2013 and carbon reporting is set out on pages 54 and 55.

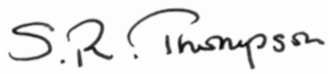
We implemented a major overhaul of the remuneration structure for our Executive Directors and senior management last year with the objective of providing a simpler package, strongly linked to strategy and performance, and more closely aligned to long-term shareholder objectives. No significant changes are proposed to our remuneration policy this year, which is subject to a binding vote for the first time under the new BIS regulations at the AGM on 30 April 2014 (see pages 98 to 115).

Stakeholder engagement

Tullow seeks to ensure that local people and businesses benefit from our presence. In 2013 we have continued to engage with a full range of external stakeholders, not only to inform them about our operations, but also to gain vital input to the way we run our business. Throughout the year we continued to engage on transparency of payments, including input to the UK Government's G8 agenda on Transparency, Tax and Trade and participation in industry consultation on the introduction of legislation requiring extractive companies to report their payments to governments.

Over the next decade or so many of the African countries in which Tullow operates have the potential to become substantial exporters of oil and gas. While revenue transparency is a vital first step towards sustainable economic growth, the governments of these countries still face significant capacity challenges related to implementing effective legal and institutional frameworks for the management of resource wealth. In 2013 we undertook a focused programme of engagement with governments, civil society and development agencies to raise awareness of these issues and to identify solutions for capacity building in this area. This included discussions with the World Bank, the IFC, the DfID and an NGO Roundtable discussion in Washington DC.

As a committed long-term investor in Africa, we regard transparency, good governance, effective and predictable regulation, and the use of resource revenues to provide tangible benefits to the citizens of the countries where we operate, as key enablers of our strategy.



Simon R Thompson
Chairman

11 February 2014

BOARD COMMITTEES

Audit Committee
STEVE LUCAS
CHAIRMAN OF THE AUDIT COMMITTEE

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

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Nominations Committee
SIMON THOMPSON
CHAIRMAN OF THE NOMINATIONS COMMITTEE

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

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EHS Committee
ANNE DRINKWATER
CHAIRMAN OF THE EHS COMMITTEE

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

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Remuneration Committee
DAVID BAMFORD
CHAIRMAN OF THE REMUNERATION COMMITTEE

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

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1 SIMON THOMPSON
CHAIRMAN

Simon Thompson (age 54, British) was appointed as a non-executive Director in 2011 and 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 2005-2007.

Committee membership: Nominations (Chairman), Remuneration and EHS Committees.

Other directorships and offices: Simon is a non-executive director of Newmont Mining Corporation (USA), Sandvik AB (Sweden) and AMEC (UK).

2 AIDAN HEAVEY
CHIEF EXECUTIVE OFFICER

Aidan Heavey (age 60, 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, Dublin.

3 IAN SPRINGETT
CHIEF FINANCIAL OFFICER

Ian Springett (age 56, 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 59, British), is a UK solicitor 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 McDADE
CHIEF OPERATING OFFICER

Paul McDade (age 50, British) was appointed to the Board of Directors in 2006 after joining 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 52, 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 within Shell, including Americas regional vice president of exploration 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 DAVID BAMFORD
SENIOR INDEPENDENT DIRECTOR

David Bamford (age 67, British) was appointed as a non-executive Director in 2004. David worked for BP for 23 years where he was chief geophysicist from 1990 to 1995 and general manager for West Africa from 1995 to 1998. In addition he acted as vice president for exploration, directing BP's global exploration programme, from 2001 to 2003. David will retire from the Board at the conclusion of Tullow's Annual General Meeting (AGM) on 30 April 2014.

Committee membership: Remuneration Committee (Chairman), EHS and Nominations Committees.

Other directorships and offices: David is a director or adviser to several companies and writes regularly for industry journals. He co-founded Finding Petroleum and OilEdge as vehicles for online communication in the oil and gas industry.

8 ANN GRANT
NON-EXECUTIVE DIRECTOR

Ann Grant (age 65, British) was appointed as a non-executive Director in May 2008. Ann joined the United Kingdom Diplomatic Service in 1971; 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. Ann will take over as the Senior Independent Director following Tullow's AGM on 30 April 2014.

Committee membership: Audit and Nominations Committees.

Other directorships and offices: In 2005, Ann joined Standard Chartered Bank where she is now vice-chairman, Africa. She 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.

9 TUTU AGYARE
NON-EXECUTIVE DIRECTOR

Tutu Agyare (age 51, 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.

10 STEVE LUCAS
NON-EXECUTIVE DIRECTOR

Steve Lucas (age 59, 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 (Chairman) and Remuneration Committees.

Other directorships and offices: Steve is a non-executive director of African Barrick Gold plc (UK), Essar Energy plc (UK) and Transocean Ltd (USA).

11 ANNE DRINKWATER
NON-EXECUTIVE DIRECTOR

Anne Drinkwater (age 58, 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 Committee (Chair), Audit and Remuneration Committees.

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

12 JEREMY WILSON
NON-EXECUTIVE DIRECTOR

Jeremy Wilson (age 49, 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. Jeremy continues to serve as a senior adviser to the firm.

Committee membership: Audit and Remuneration Committees. Jeremy will take over as Chairman of the Remuneration Committee following Tullow's AGM on 30 April 2014.

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

More information

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MULTI-DISCIPLINARY TEAMS FOCUSED ON SUCCESS

Our strategic priority in Organisation & Culture remains to build a strong, unified team with excellent commercial, technical and financial skills and entrepreneurial flair. We are proud of our entrepreneurial culture, and we work hard to ensure this remains core to the DNA of Tullow.

We believe our culture gives us a competitive advantage when governments select a partner to work with, and helps us succeed where others have not, such as our ability to take on highly challenging and complex exploration programmes, as we have done in Kenya. It is this culture that also enables us to attract and retain highly skilled people from diverse cultural backgrounds.

Embedding our values & employee engagement

Our employees' engagement with our values, strategy and culture is vital to the success of the business. As well as 'demonstrating entrepreneurial spirit and initiative', our values are: focusing on results; working with integrity and respect; and commitment to Tullow and each other. During 2013, the Executive Directors sought to better understand employee engagement within the Group and how we can better demonstrate our Company values, through a staff engagement survey as well as a series of Executive-led workshops, which were held in seven countries across our operations. Eighty one per cent of employees responded to the survey, and 320 people participated in the round-table discussions with the Executive Directors. Key findings from our survey results included a staff engagement score of 77% (2011: 81%).

GRAHAM MARTIN EXECUTIVE DIRECTOR & COMPANY SECRETARY

"WE TAKE PRIDE IN THE TALENT & DIVERSITY OF OUR TEAMS THAT FORM THE FOUNDATION OF OUR SUCCESSFUL BUSINESS."

While this is a good engagement score, its fall has been against a backdrop of a 22% (2012: 1,553, 2011: 1,207) rise in employee numbers in the two-year period since the last survey was conducted. The survey also found the overwhelming majority of people are proud to work for Tullow and would recommend Tullow as a good place to work. In addition, the vast majority of people also recognise that Tullow manages safety well, and has a responsible attitude towards the environment. Areas for improvement include operational efficiency, collaboration across the Group, change management and fair treatment. Going forwards, the survey will be conducted on an annual basis.

The newly formed Executive Committee is addressing key areas for improvement in a series of work programmes in 2014. In 2013, we continued to reinforce and embed our values across the Group through initiatives that included assessing interview candidates on their alignment with our values; integrating 'values workshops' to our induction process for new starters; and evaluating how people have demonstrated living our values in their annual appraisals.

NURTURING TALENT

In 2013, we spent over $8 million on the training and development of our own employees.

86%

Of employees are proud to work for Tullow and 79% would recommend Tullow as a good place to work.

HUMAN RIGHTS

We are committed to respecting internationally recognised human rights, as set out in the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Our Values, Code of Conduct and policies support our corporate responsibility to respect human rights. In 2013, we became a member of the Voluntary Principles on Security and Human Rights (VPSHR). As active participants, we ensure our security protocols and procedures operate within a framework that respects human rights.

DIVERSITY

An essential part of our culture is our diversity and we are proud to employ 60 different nationalities across the business. Women made up 29% (582/2,034) of our total workforce in 2013. In addition, 12% (6/49) of our senior management and 17% (2/12) of our Board Directors are female. This year, senior women at Tullow, including our non-executive Directors, met to debate the issue of gender diversity within Tullow. The key conclusions from the session were that the organisation is supportive of women and their career progression. Participants agreed that they wanted to achieve career progression on their own merit, and not as a result of specific gender programmes. However, there was recognition that our people management capability is key to improving our representation of women in the work force and ultimately growing the potential pipeline of women for senior management positions.

NATIONAL LEADERSHIP

The appointment of Charles Darku as General Manager for our Ghana Business Unit in August 2013 marked the milestone of all BUs within Tullow's African portfolio being led by nationals of our host countries. An electrical engineer by profession, Charles is an accomplished businessman and professional engineer who has over 30 years of experience in Ghana's energy sector. Formerly Chief Executive of GRIDCo, Charles also previously held several senior positions with the Volta River Authority and is a graduate of Harvard University.

Ethics and Code of Business Conduct

We continue to demonstrate our strong commitment to business ethics with our Code of Business Conduct and our zero tolerance of corruption. In 2013, we continued our Code of Business Conduct awareness programmes across the Group and have to date held over 100 workshops providing face-to-face training, covering over 88% of our employees and contract staff, up from 60% in 2012, despite a 14% [2013: 2,034, 2012: 1,778] increase in total workforce. We encourage our employees and contractors to raise issues or concerns internally or via the independent, external 'speaking up' line and promote awareness of these channels. In 2013, we received 24 speaking up cases, which led to 22 investigations, 12 individuals leaving the Group and two supplier contracts terminated as a result.

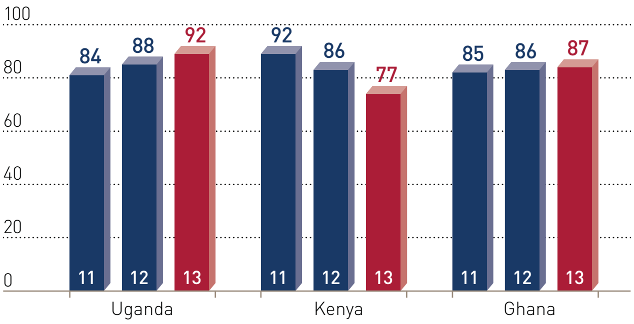
Talent retention

In 2013, our staff turnover increased to 4.5% [2012: 2.9%]. There is no specific stretch or baseline target for Group staff turnover, however, over the past five years this has consistently been less than 5%. We see one of the drivers for the increase in turnover is the growth in our total workforce. One of the long-term performance risks to the business is loss of key staff and the industry overall remains highly competitive with regard to the retention of top talent. Two key areas we focus on to attract and retain strong candidates are competitive reward and development opportunities. At the 2013 AGM, two new long-term incentive programmes were approved, replacing the existing arrangements: one for Executive Directors and Senior Managers, as well as an improved share scheme for the majority of our permanent employees. These changes, together with greater differentiation in the staff bonus scheme, will align higher reward with higher individual performance.

Localisation

Employment of nationals within our host countries remains the most material issue for our in-country stakeholders. We have a robust and proactive approach to localisation, and our Group Localisation policy, introduced in 2012, ensures our teams are largely made up by the nationality of our host countries. There remain challenges both in achieving high levels of localisation across all functions in a short time period, as well as managing expectations as to how many job opportunities exist. Nevertheless, we strive to continuously build capacity within our host countries, to ensure nationals can directly participate in and benefit from their oil and gas industry. In 2013, 52% of our employees are based in Africa and in total, over 85% of our staff in Africa are local nationals, a decrease of 1% on 2012.

Nationals employed (%)



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CREATING SHARED PROSPERITY

Our strategic priority related to 'Shared Prosperity' is to nurture long-term relationships with local governments, communities and key stakeholders, with the ultimate aim of creating a positive and lasting contribution to economic and social development in the communities and countries where we operate.

Creating Shared Prosperity is a strategic priority and represents Tullow's commitment to ensuring that the success of the oil and gas industry brings long-term social and economic benefits to the communities and countries where we operate, whilst protecting their rich biodiverse environments.

Our approach focuses on eight components. Our financial performance underpins our ability to meet our commitments to our employees, suppliers and providers of capital. Our approach to governance, the environment, health & safety (EHS), people, supply chain, local content and social performance directly affect our ability to run our business successfully. Finally, stakeholder engagement is a critical tool across all aspects of our business, ensuring we operate effectively and responsibly, and provide our stakeholders with the channels to raise issues of concern or interest. We measure our progress in each of the eight focus areas against KPIs, which we report on in our annual Corporate Responsibility (CR) Report.

In 2013, we undertook a systematic review of the issues that are most material to Tullow's ability to execute our business strategy and those that have the greatest social, environmental and economic impact on our stakeholders. This review has helped refine and give further focus to the key areas that make up our vision to create shared prosperity. Our most material issues are aligned to the eight components of shared prosperity, as detailed below. This section summarises some of the key developments in these areas. More detailed disclosure can be found in our Corporate Responsibility Report, published in May 2013.

Stakeholder engagement

We engage regularly with a broad range of stakeholders, formally and informally across our business. Our stakeholders include anyone working with or on behalf of Tullow, who is impacted by our activities or who can influence our business plans and the successful execution of our exploration-led growth strategy.

Financial
Deliver returns to shareholders and providers of capital

Governance
Manage our business ethically and with integrity

Stakeholder engagement
Engage with and respond to all our stakeholders

Environment, Health & Safety
Keep people safe and minimise our environmental footprint

People
Create a rewarding, challenging and great place to work

Sustainable supply chain
Build long-term sustainable supplier relationships

Local content
Create real opportunities for local people and local enterprise development

Social performance
Manage our business in a way that respects local communities and the impact our business has on them

OUR SOCIAL & ECONOMIC CONTRIBUTION

Tullow makes a significant contribution to the public finances of African governments through the taxes we pay. In 2013, we paid $881 million to African governments, an amount that is larger than our total Group tax bill, due to the $100 million tax rebate we receive from the Norwegian Government on exploration costs.

Our tax payments represent the largest economic contribution we make to any of our external stakeholders, including shareholders. As well as demonstrating our corporate commitment to good corporate governance, we publish this information because we believe revenue transparency encourages healthy debate among Civil Society Organisations (CSOs), Non-governmental organisations (NGOs) and the government, enabling interested parties to participate in meaningful discussions on the equitable sharing of wealth from oil resources.

During 2013, we engaged with CSOs and NGOs at a national and international level to discuss the potential capacity needs of interested parties to engage meaningfully on resource revenue management, in terms of understanding the stage in the oil life cycle at which a project generates revenues, as well as effective interpretation of financial data.

Ghana

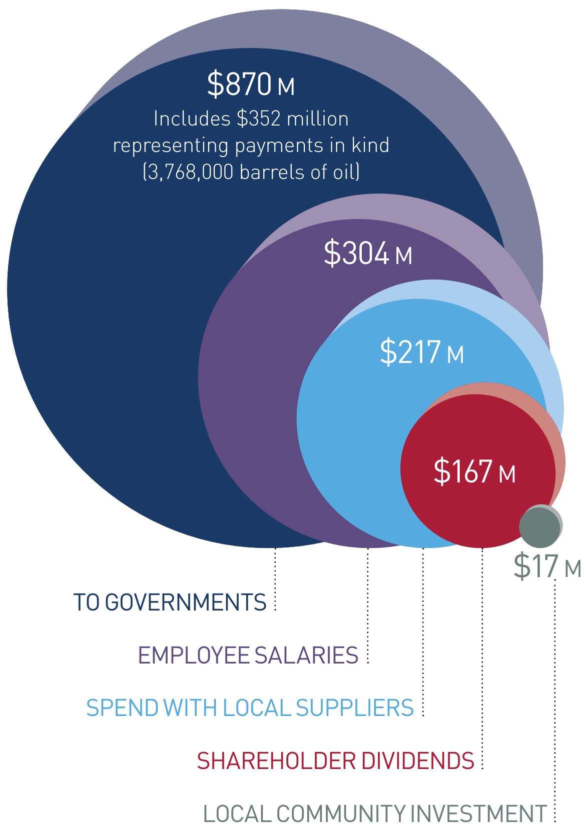
In 2013 we paid our first income tax to the Government of Ghana of $107 million. Withholding tax almost doubled from $38 million to $61 million between 2012 and 2013 as the TEN Project moved into the development phase. Spend with local suppliers similarly increased by 85% to $128 million. Total payments to the Government of Ghana, including production entitlements in bbls, was $300 million.

Local business opportunities

The business opportunities we create for local suppliers also represent a significant component of our economic contribution and in 2013, we spent $217 million with local businesses, representing a 49% increase on the previous year (2012: $145 million). This increase is largely as a result of reporting local content spend in two additional countries for 2013: Mauritania and Ethiopia, as well as the higher levels of operational activity in all reporting countries, with the exception of Uganda.

Local job creation

The number of local jobs we create is a key way in which we generate a positive social and economic impact in the countries in which we operate. Nationals now make up 85% of our African-based teams and all of our African business units are led by nationals. We take a strategic and long-term



ECONOMIC CONTRIBUTION

Production entitlements
$363.2 MILLION

Income taxes
$241.8 MILLION

Other taxes as per the EU directive
$66.4 MILLION

Voluntary disclosures
$199.0 MILLION

Our total contribution to major stakeholder groups amounted to $1.6 billion, including $217 million in spend with local suppliers, $304 million in payroll globally and $17 million discretionary investment in social projects. In 2013, we paid $881 million to African governments, an amount that is larger than our total Group tax bill, due to the $100 million tax rebate we receive from the Norwegian Government on exploration costs.

approach to localisation, through internal training and development programmes and investing in capacity building projects externally. We equip our people with the skills and experience they require to gain managerial, technical and commercial roles within an international organisation.

Building capacity

We also continue to invest in the capacity of our employees, contractors, local suppliers and future generations of the workforce, increasing their ability to participate and progress in the oil and gas industry. In Ghana, as part of our social investment programme, Tullow and the Jubilee Partners invested $6 million in an Enterprise Centre, which provides business training and advisory services to small-to-medium sized enterprises (SMEs), as well as a polytechnic, the Jubilee Technical Training Centre (JTTC), which is the first vocational training centre in West Africa to offer National Vocational Qualification (NVQ) level accredited courses for technical courses. These investments aim to enable more Ghanaian businesses and individuals to gain access to opportunities in the oil and gas sector.

Social Investment (SI)

The overall discretionary investment we made in social projects in 2013 totalled $17.4 million. This represented a decrease in spend on the previous year (2012: $20 million) as a result of our investment in infrastructure projects in Uganda in 2012, which last year were handed over to local organisations for ongoing management.

Our SI investments focus on creating an immediate impact at community level, such as access to water, local as well as longer-term, strategic initiatives such as national capacity building and enterprise development projects. Examples of this are the Tullow Group Scholarship scheme, which awarded 96 scholarships to students from eight countries in 2013.

Above: Local supplier carrying out loading operations in Takoradi port, Ghana

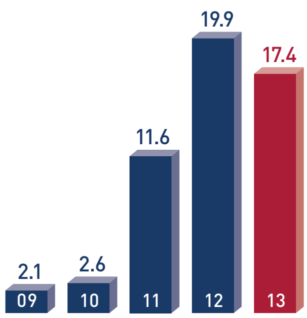
More information

Kenya special feature → **18**

Transparency data → **175**

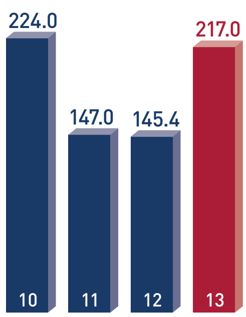
Social investment spend – Group historical ($million)

Our new mandatory criteria, launched in 2013, ensures our social investments are aligned with both the immediate and long-term needs of the communities where we operate which have been identified through Environmental Social Impact Assessments (ESIAs).



Local content – Group historical ($million)

Local content expenditure has increased over 2013, in line with increased operational activities in Ghana, Kenya and Mauritania.



A RESPONSIBLE OPERATOR

One of Tullow's values is to work with integrity and respect and this is core to our ability to act as a responsible operator. We work to protect the natural and cultural environments we operate in and maintain the health and safety of our employees, contractors and communities.

Our EHS scorecard is part of our Group KPIs and accounts for 10% of Tullow's Incentive Plan (TIP) for Executive Remuneration. It comprises six leading and four lagging indicators, which were actively monitored throughout the year at operational and the Board level. Each indicator is given a potential value of three points, depending on whether it is fully, partially or not achieved. In 2013, we achieved 19 points out of a total maximum of 30, which reflects the 6% award out of a potential 10% in the overall TIP awards for the year.

This section summarises some of the most noteworthy developments in our progress and challenges encountered in achieving our stated objectives. The full detail on our performance against our 10 KPIs will be included in our CR Report to be published in May 2014.

Health & Safety

We completed 100% investigations for High Potential incidents and Lost Time Injuries (LTIs) and this increased focus has led to greater management scrutiny and opportunity for learning. Notwithstanding this achievement, our Lost Time Injury Frequency (LTIF) increased from 0.70 in 2012 to 0.81 in 2013 against a 13% increase in working hours between 2012 and 2013. For 2014, we plan to achieve a 20% reduction in our LTIF as part of a five-year plan to achieve First Quartile performance as per the International Association of Oil & Gas Producers (OGP) rankings, a target which is built into Executive compensation KPIs.

Carbon emissions

In line with the revised Company's Act 2006, we are disclosing our carbon emissions[1] in this Strategic Report, including new disclosure on our scope 2 emissions. The reported data has been sourced from Tullow production and exploration operations, where Tullow is the operator of the facility or asset during the year. Emissions are calculated using conversion factors sourced from the 2012 DEFRA/DECC GHG Conversion Factors for Company Reporting, EEMS (2008) and API (2004). Our total scope 1 emissions, which in 2013 included gas, diesel and gas refrigerants

EMERGENCY PREPAREDNESS

We made significant progress against our leading KPI to address the risk of ensuring a high standard of emergency preparedness and incident management capability is in place across all operations. We improved the competencies of our emergency response teams and crisis management arrangements. We also established and rolled out the Tullow Emergency Preparedness and Incident Management Standard among our Business Units.

"WE THINK PROACTIVELY ABOUT OUR EHS PERFORMANCE & WORK TO EMBED A STRONGER CULTURE OF LEARNING FROM OUR INCIDENTS."

from our offices as well as emissions from our operations, were 776,629 tonnes CO_2e and 111.80 tonnes CO_2e per 1,000 tonnes of hydrocarbon produced. Our scope 2 emissions, made up of electricity used by our key offices, are relatively immaterial to our overall emissions profile and therefore we only began reporting this for the first time, in line with new legislation. Office electricity data was collected from our five biggest offices, where 80% of our employees work. Total scope 2 emissions were 6,174 tonnes of CO_2e and 0.89 tonnes of CO_2e per 1,000 tonnes of hydrocarbon produced. Our total scope 1 and 2 emissions were 782,803 tonnes CO_2e and on an intensity basis 112.69 tonnes CO_2e per 1,000 tonnes of hydrocarbon produced.

Road safety

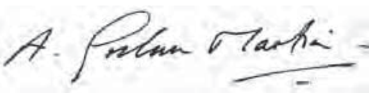
Land transport represents one of the most significant safety risks to our onshore operations. In 2013, we introduced new KPIs and a Group-wide Land Transport Policy and Standard, which have succeeded in increasing road safety awareness, improving driving behaviours and overall have led to a reduced number of driving incidents. However, we regret to report the tragic death of a member of the public as a result of a road traffic accident involving a turned-over vehicle in Kenya. To further improve our approach to Land Transport Safety in 2014, we will be targeting all BUs to conduct Land Transport gap analysis and ensure all BUs have audited Land Transport management plans.

Spills and uncontrolled releases

We missed our target to reduce the number of uncontrolled releases/loss of containment incidents to below three incidents involving less than 50 litres of water, diesel, oil or chemicals, with 10 spills involving 23.29 tonnes of material. Eight of the spills took place in Kenya and involved waste water treatment plants. For 2014, robust, high capacity, containerised treatment units are being procured from the international market to replace the existing solution. There was also an additional spill from the TEN FPSO involving an unknown amount, where waste water dosed with dispersant was released to sea rather than going through proper separation process. We will target improvements to our performance in this area in the 2014 executive KPIs.

1. All carbon intensity ratios are based on total production rather than working interest production.

This Strategic 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

Above: Safety certificates being awarded to seismic crew, in Ethiopia

TULLOW'S 2013 CORPORATE RESPONSIBILITY REPORT

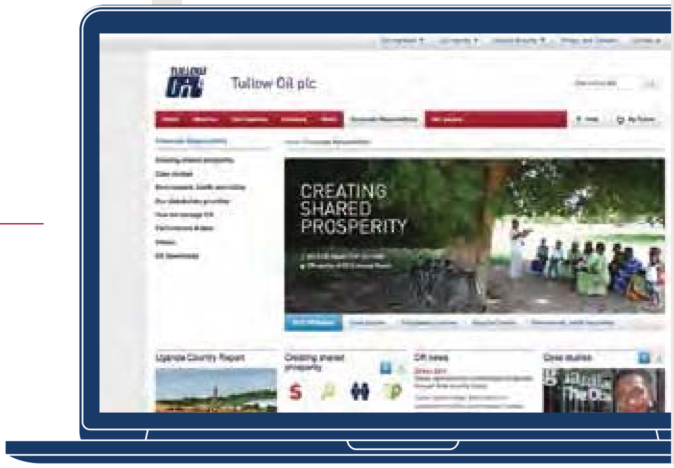
Full disclosure on our performance in each of the eight focus areas of Creating Shared Prosperity is reported in our annual Corporate Responsibility (CR) Report, which is published in May.

TULLOW'S CORPORATE RESPONSIBILITY ONLINE

Our annual CR Report and other publications, including country and regional reports, are available online. Visit our website to read the following publications:

- Uganda country report;
- Central & West Africa regional report;
- Detailed performance disclosure; and
- Case studies and videos.

www.tullowoil.com/cr



DEVELOPMENT IN GHANA

Exploration in the Deepwater Tano block offshore Ghana resulted in the Tweneboa-Enyenra-Ntomme (TEN) discovery, where Tullow has a 47.15% interest. In May 2013, the Government of Ghana approved the TEN Plan of Development, a significant milestone for the project and the Partners. The project is scheduled to deliver first oil in mid-2016 and a major step to achieving this is the construction of the TEN FPSO. The Centennial Jewel trading tanker is currently undergoing conversion at Jurong Shipyard in Singapore.

2

DIRECTORS' REPORT

KEY PRODUCTION & DEVELOPMENT IN WEST & NORTH AFRICA

Over 77% of the Group's total production comes from West and North Africa and the Jubilee field in Ghana is our flagship offshore operated asset. Exciting frontier exploration is also taking place across the region.

E Exploration **D** Development **P** Production

Ghana

Tullow has interests in two licences offshore Ghana. The Jubilee field straddles both the Deepwater Tano and West Cape Three Points licences, whilst the Tweneboa-Enyenra-Ntomme (TEN) cluster development is wholly located in the Deepwater Tano licence. In 2013, the Jubilee field averaged approximately 100,000 bopd gross production and Government of Ghana approval was received for the TEN Plan of Development (PoD), the Group's second major operated development in Ghana. In 2014, Tullow expects gross production from the Jubilee field to average 100,000 bopd.

Regional information 2013

Countries	**9**
Licences	**39**
Acreage (sq km)	**88,386**
Production (boepd)	**65,000**
Reserves & resources (mmboe)	**665.6**
Sales revenue ($m)	**2,248**
2013 investment ($m)	**811**

Jubilee

The Jubilee field is Tullow's flagship operated offshore asset which contributed around 40% of the Group's overall production in 2013. The reservoir performance continues to be strong and the Phase 1A infill wells are being completed as required. Planning work also continues on additional development and drilling opportunities that will significantly extend the field plateau. The first planned maintenance shutdown of the Jubilee FPSO Kwame Nkrumah was successfully completed in late September 2013.

The field production was impacted during the second half of 2013 due to a number of unplanned shutdowns of the FPSO's water injection system. The system is now fully operational and reservoir pressure and well capacity have been restored to over 130,000 bopd.

During 2013, the Ghana National Gas Company announced further delays to the start up of the onshore gas processing plant that is required to enable the export of Jubilee associated gas. The gas plant is now expected to be fully operational in the second half of 2014. As a consequence of this ongoing delay in gas export, the Jubilee partners have had to pursue various alternative gas handling options. In the fourth quarter of 2013, a third gas injection well was drilled and brought online. However, this well has had a limited impact. Discussions are ongoing with the Government of Ghana on other alternatives, including limited flaring, that will enable the field to average 100,000 bopd gross in 2014.

TEN

On 29 May 2013, the Government of Ghana formally approved the TEN PoD. This paved the way for Tullow and its partners to proceed with the development. The project is on target to deliver first oil in mid-2016 which will be followed by a steady ramp up to an expected FPSO gross production capacity of 80,000 bopd.

Development of the TEN Project will require the drilling and completion of up to 24 development wells which will be connected through subsea infrastructure to a FPSO vessel, moored in approximately 1,500 metres of water. The overall cost of the development is estimated to be $4.9 billion, excluding FPSO lease costs. All major contracts, including the FPSO and subsea infrastructure, have been awarded and the West Leo rig has been secured to carry out the drilling and completion of the development wells. In October 2013, the Centennial Jewel trading tanker arrived in the Jurong Shipyard in Singapore, where it has begun its conversion into the TEN FPSO. The appraisal of the TEN fields was completed in 2013 with the drilling of the Enyenra-6A well. Development drilling commenced in 2014 with the drilling of the Nt-04 and En-01 water injection wells.

Following approval of the PoD, Tullow sought consent from the Government to farm down its interest in the TEN project whilst remaining operator. The farm-down process is continuing in parallel to the development project. Gross capex spend for 2014 on the TEN Project is expected to be approximately $1.2 billion.

Exploration and Appraisal

The Sapele-1 exploration well, which was completed in February 2013, was plugged and abandoned as a dry hole. This completed our drill-out of the Deepwater Tano licence which expired on 18 May 2013 with the remaining, non-prospective acreage being relinquished. The Jubilee Unit Area, the TEN Development and Production Area and the Wawa Discovery Area have been retained.

Top: FPSO Kwame Nkrumah, on the Jubilee field, offshore Ghana

Above: Centennial Jewel tanker, prior to conversion into the TEN FPSO, at the Jurong Shipyard, Singapore

In the second half of 2013, the Akasa-2A appraisal well was drilled and successfully tested the down-dip extent of the Akasa accumulation. The partnership is planning some additional appraisal activities in 2014 in the West Cape Three Points licence that will assist in identifying the optimum development plan for the Mahogany, Teak and Akasa fields. In January 2013, the discovery area associated with the Banda discovery on the West Cape Three Points licence was relinquished.

Mauritania

In Mauritania, Tullow commenced its exploration drilling campaign in August 2013 targeting new, deeper plays in the offshore Mauritanian basin. The first well, Frégate-1, in the Block 7 licence, was drilled to a depth of 5,426 metres and has encountered up to 30 metres of net gas-condensate and oil pay in multiple sands. The data will now be integrated with Tullow's regional 3D seismic surveys. The well is being plugged and abandoned and the rig will move to drill the Tapendar prospect in Block C-10. This wildcat well has achieved an important technical breakthrough by establishing a new oil play in deepwater Late Cretaceous turbidites. Whilst encouraging, further assessment and analysis will be required before follow up activities commence.

The approval of a Field Development Plan by the Government of Mauritania has allowed good progress to be made on the Banda gas to power development. The Engineering, Procurement and Construction bids have been received and pre-award negotiations are ongoing with contractors. Commercial discussions on the Gas Sales Agreement and associated Power Purchase Agreements are ongoing and are critical to the final sanction of this project.

Net production from the Chinguetti field, which is a separate play type from the Group's exploration interests, averaged just over 1,300 boepd in 2013, which is in line with expectations.

Gabon

Gabon net production averaged 13,300 bopd in 2013, slightly lower than expectations due to the impact of an oil sector worker's strike in March 2013 and delays to the planned infill drilling programmes at Tchatamba. The Tchatamba drilling programme re-commenced in December 2013 with plans to drill four wells, plus two contingent infill wells. This will be followed by a three-well campaign on the Turnix field. The Limande field continues to outperform expectations due to two wells drilled in the South of the field during the year.

A modest carbonates oil discovery was made by the M'Oba-1 well in October 2013, in the DE-7 licence. A flow test is being carried out to determine the potential size of the discovery. The Perroquet exploration well in the Kiarsseny Marine licence was completed in December 2013 and has been plugged and abandoned as a dry hole. Interpretation of data acquired from a 3D survey over the pre-salt Sputnik prospect in the complex Arouwe Block was completed in mid-2013, with drilling scheduled to commence in the first half of 2014.

Equatorial Guinea

The Ceiba field has performed strongly in 2013 following the completion of a successful workover and infill drilling programme in the first half of the year, with the final two producers coming online in July and September 2013 respectively. The programme has increased production, with net production averaging 3,500 bopd for the full year. A new 4D seismic survey is planned for 2014 in anticipation of a further drilling campaign in 2017.

Net production from the Okume Complex has been stable but marginally below expectations, averaging 6,200 bopd for the full year. A major infill drilling programme of 14 wells commenced in October 2013 and is expected to continue until mid-2016 which should significantly enhance production and the life of this asset.

Côte d'Ivoire

The Calao-1X exploration well in Block CI-103 was completed in May 2013, with the well encountering non-commercial gas condensate. In December 2013, Tullow announced that the Paon-2A appraisal well in the CI-103 licence offshore Côte d'Ivoire had determined the down-dip extent of the Paon oil accumulation. The well encountered the water below the oil accumulation discovered at the Paon-1X well and pressure logging has located the likely oil water contact and an estimated hydrocarbon column of 700 metres. Tullow and the block partners are currently reviewing options for the way forward.

The infill drilling campaign in the East and West Espoir fields was delayed in 2013 due to performance problems with the drilling contractor. The delay to this activity was partially offset by good facilities uptime and gas production performance from the field resulting in net production for the year of 3,500 boepd. The operator is currently well

Far left: West Leo semi-submersible during drilling operations, offshore Côte d'Ivoire

Middle: Helicopter on the Stena DrillMax, during drilling operations offshore Mauritania

Left: Operatives on the Ben Rinnes rig, during drilling operations offshore Gabon

advanced in procuring an alternative drilling unit for the 11-well campaign which is now expected to commence in the second half of 2014. This campaign will have a significant impact on field production in the latter part of 2014 and future years.

Congo (Brazzaville)

M'Boundi field production was stable throughout 2013, averaging 2,600 boepd net, with a strong contribution from the southeast region of the field following the discovery of a southeast extension in 2012. To optimise performance, four infill wells have been completed in the past six months and the rig count for 2014 will increase from one to three, allowing up to 16 wells to be delivered per year as part of the field redevelopment strategy.

Guinea

Tullow and its partners are processing 4,000 sq km of 3D data as preparations continue to begin drilling the deepwater Fatala prospect (formerly named Eos) in the second quarter of 2014. Tullow took over operatorship of the exploration licence in April 2013.

Liberia and Sierra Leone

In June 2013, Tullow relinquished its interests in Blocks LB-16 and LB-17 offshore Liberia following a detailed review of the results to date from our West Africa Transform Margin acreage. Tullow retains its interests in Block LB-15 in Liberia and block SL-07B-11 in Sierra Leone, and is currently evaluating options for these blocks with partners.

Key producing assets

Country	Field (Tullow %)	2013 working interest production (boepd)
Congo (Brazzaville)	M'Boundi (11%)	2,600
Côte d'Ivoire	Espoir (21.33%)	3,500
Equatorial Guinea	Ceiba (14.25%)	3,500
	Okume (14.25%)	6,200
Gabon	Tchatamba (25%)	3,300
	Limande (40%)	2,900
	Etame Complex (7.50%)	1,300
	Others (3.75% – 52.78%)	5,800
Ghana	Jubilee (35.48%)	34,600
Mauritania	Chinguetti (22.25%)	1,300
Total		**65,000**

BUILDING ON SUCCESS IN SOUTH & EAST AFRICA

Tullow has now opened up major onshore basins in Uganda and Kenya and the Group believes that the East Africa region has the potential to become a new hydrocarbon province.

E Exploration **D** Development **P** Production

Kenya

In Kenya, Tullow operates five onshore blocks in the East African Tertiary Rift system, covering around 65,000 sq km, and has between 50% and 65% interests in these licences. The Group has continued to make excellent progress with its exploration campaign in Northern Kenya, with seven out of seven discoveries drilled since the start of the Tertiary Rift Basins exploration programme. In January 2014, as a result of the significant discoveries made to date, Tullow updated its estimate of discovered resources in this one Northern Kenya basin to over 600 mmbo gross, with a potential of over one billion barrels of oil. Given the results to date in this single basin, Tullow considers that its acreage in Northern Kenya has the potential to be a significant new oil province.

Regional information 2013

Countries	**6**
Licences	**15**
Acreage (sq km)	**133,762**
Reserves & resources (mmboe)	**579.8**
2013 investment ($m)	**515**

The onshore acreage covers multiple rift basins which have similar characteristics to the Lake Albert Rift Basin in Uganda. A significant inventory of leads and prospects has been identified, to date, across this acreage following the acquisition of 60,000 sq km of FTG and 5,840 km of 2D seismic. Exploration drilling and testing activity in the region commenced in January 2012, with the drilling of the Ngamia-1 well followed by the Twiga South-1 well on the Basin Bounding Fault Play. These initial discoveries were both successfully flow tested in February and July 2013 respectively. Both wells flowed at constrained rates of around 3,000 bopd of 25 to 35 degree API sweet waxy oil with no indication of pressure depletion, and unconstrained rates of over 5,000 bopd per well are considered possible.

In May 2013, drilling commenced on the Etuko prospect, 14 km east of Twiga South-1 in Block 10BB. The well successfully opened the Basin Flank Play in the eastern part of the South Lokichar Basin. Ekales-1 commenced drilling in July 2013 and continued the successful run of discoveries on the Basin Bounding Fault Play, on trend with Ngamia and Twiga South. The Ekales-1 well was followed by two further discoveries at Agete-1 in November 2013 and Amosing-1 in January 2014. The seventh discovery in the basin to date also came in January 2014 at Ewoi-1 which continued to de-risk the Basin Flank Play opened by Etuko-1 earlier in 2013. Well testing at Etuko-1 has been completed and flowed at a combined rate of over 550 boepd. Additional potential pay zones were unable to be tested due to the large hole size and so the rig is now drilling a 650 metre well, Etuko-2, to evaluate and potentially test this shallower interval.

Ongoing activities include the testing of the Ekales-1 well and the drilling of Emong-1 and Twiga South-2 exploration and appraisal wells.

A significant programme of some 40 exploration and appraisal wells in the coming two years will assess not only the South Lokichar Basin but up to a further six separate Tertiary Rift Basins across Tullow's Kenyan acreage. Tullow is currently operating three rigs, the PR Marriott 46, Weatherford 804 and Sakson PR5 rigs and a workover unit, the SMP-5.

Given the significant volumes discovered and the extensive exploration, appraisal and seismic programme planned to fully assess the upside potential of the South Lokichar Basin, Tullow and its partner have agreed with the Government of Kenya to commence development studies. In addition, the partnership is involved in a comprehensive pre-FEED study for an export pipeline. The current ambition of the Government of Kenya and the joint venture partnership is to reach project sanction for development, including an export pipeline, in 2015/2016. If further exploration success opens additional basins there will be scope for the development to be expanded.

In the onshore Anza Basin, Block 10A, Tullow tested a Mesozoic Play with the Paipai-1 commitment well in March 2013, encountering light hydrocarbon shows. The licence has subsequently been relinquished as the partnership focuses its activities on the main Tertiary Rift Play across Kenya and Ethiopia.

Tullow also had a 15% interest in offshore Block L8, targeting a separate Transform Margin Play, but the licence was relinquished in January 2014.

Top: Vibrator trucks, which are used for seismic surveys in Kenya

Above: Aerial view of the Sakson PR5 rig during operations on the Ewoi-1 well, Kenya

Ethiopia

In Ethiopia, Tullow has a 50% operated interest in the South Omo block, its most northerly interest in the Kenya-Ethiopia Tertiary Rift system. At least three independent basins have been identified in this acreage. In January 2013, Tullow commenced drilling Sabisa-1, the first ever well in this frontier acreage in the South Omo Basin. The well encountered reservoir quality sands containing heavy gas shows and a thick shale section. Tullow then drilled the Tultule-1 well in the same basin four kilometres east of Sabisa-1. In December 2013, the well was abandoned as a dry hole with gas shows recorded. The presence of source rocks, reservoir sands and good seals is encouraging for the numerous fault bounded traps identified elsewhere in the basin where some 10 prospects have been identified.

The OGEC rig is currently moving to the Chew Bahir Basin to drill the Shimela prospect in the eastern portion of the South Omo block where new seismic has delineated a number of exciting new prospects, some of which have encouraging seismic amplitude anomalies. The well is expected to spud at the end of the first quarter of 2014 with the aim of derisking some further 15 prospects and leads across the basin.

Uganda

Tullow has a one-third interest in each of four licences in the Lake Albert Rift Basin. Operating responsibilities within the basin are divided between the Partners: Total operates EA-1 and EA-1A; Tullow operates EA-2; and CNOOC Limited operates the Kingfisher Production Licence.

Operational activities have focused on completing numerous appraisal wells and flow tests with results achieving or exceeding expectations. These included the Waraga-3 well which discovered 93 metres of net oil pay, the largest pay tally since the start of the campaign, and the Jobi-6 well which successfully tested horizontal drilling techniques, resulting in enhanced well productivity.

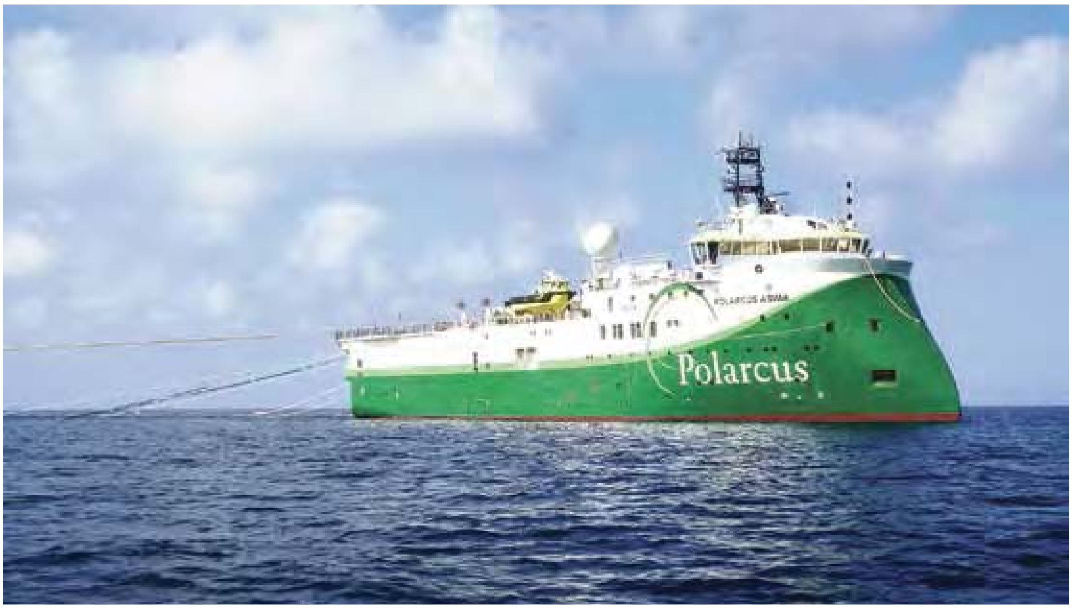
In addition, a 352 sq km 3D seismic acquisition across EA1 continues with over half of the programme now completed. These successful activities continue to support our estimates of gross recoverable resources of around 1.7 billion barrels of oil.

A Memorandum of Understanding (MoU) agreeing a commercialisation plan with the Government of Uganda was signed on 5 February 2014. The MoU concept involves an integrated development of the upstream, an export pipeline and a refinery of 60,000 bopd to be developed in a modular manner starting with 30,000 bopd. A lead investor to develop the refinery is expected be selected by the Government of Uganda by the end of the first half of 2014. The partnership is progressing a comprehensive pre-FEED study for the crude oil export pipeline.

The partnership submitted Production Licence Applications (PLAs), including Field Development Plans (FDPs), for seven of the fields in line with the agreed commercialisation plan in the MoU. Remaining PLAs and FDPs will be submitted during 2014. The FDP for the Kingfisher discovery area was approved and the Production Licence conditions have been met.

The development planning work has continued with a significant focus placed on reducing the overall cost of the development. This work has resulted in multi-billion dollar cost savings, mainly due to the optimisation of well design and numbers and the design of the surface infrastructure.

In June 2013, Tullow received judgment in its favour in the High Court tax case proceedings against Heritage Oil and Gas Ltd and Heritage Oil plc (together 'Heritage'). When taking into account interest charges, Tullow received a total payment of approximately $346 million in August 2013. Heritage made a direct application to the Court of Appeal for permission to appeal the judgment which was granted on 20 September 2013. An appeal hearing is scheduled for 7 and 8 May 2014 with judgment due by the autumn.



Left: Polarcus Asima seismic vessel, which carried out a 3D seismic survey, offshore Namibia.

Far left: Operatives at the Amosing-1 well site during drilling operations in Block 10BB, Kenya.

Left: The K900 rig during drilling operations in Block EA-1, Uganda.

Tullow has also been assessed by the Uganda Revenue Authority (URA) for Capital Gains Tax on the farm-down to CNOOC and Total. The assessment of $473 million is disputed by Tullow. Following the payment of $142 million to the URA on account, being 30% of the assessed amount that Tullow was required to pay under Ugandan law in order to dispute the assessment, the case has been heard before the Tax Appeals Tribunal in Kampala with a decision expected by May 2014. On the advice of leading counsel, the Group believes it has a strong case under both international and Ugandan law and currently views the most probable outcome to be that any liability will be at a similar level to the amount already paid on account.

The Ngassa discovery, which extends beneath Lake Albert, has been written off due to offshore appraisal and development currently being uneconomic.

Namibia

There was continued progress on the Kudu Gas to Power Project during 2013. The revised development plan received government approval, front end engineering design was completed and contractual tenders are being progressed for an FPSO and the subsea equipment. Gas Sales Agreement negotiations are also progressing in parallel. Tullow's partner, Namibian national oil company NAMCOR, is seeking to farm-out equity and has appointed Deloitte to manage this process. Tullow expects to consider a final investment decision in 2014.

In October 2013, Tullow completed a farm-in to Licence EL 0037, taking over Operatorship from Pancontinental. Acquisition of 3,000 sq km of 3D and 1,000 km of 2D seismic data commenced in January 2014 across the licence.

Mozambique

In July 2013, the Cachalote-1 well and sidetrack, located in Block 2 offshore Mozambique, discovered 38 metres of wet gas bearing sandstone in the upper target. The Buzio-1 well was also drilled in September 2013, but failed to encounter hydrocarbons. Further seismic reprocessing is being undertaken to establish additional potential prospectivity in Block 5 and this is planned to be completed by the second quarter of 2014, allowing for an exploration well potentially to commence before the licence expires in July 2014.

Madagascar

Negotiations for a farm-down of Bocks 3109 and 3111 in Madagascar are expected to conclude before the end of February 2014. Planning is underway to execute a seismic programme in Block 3109 and to drill a well in Block 3111.

FOCUS ON EXPLORATION IN EUROPE, SOUTH AMERICA & ASIA

Tullow has traditionally looked to this region of the business to provide revenues from gas production. However, divestment of non-core assets is in process in order to focus on exploration, particularly in Norway and Suriname.

E Exploration **D** Development **P** Production

Note: * Tullow sold its Bangladesh assets to KrisEnergy in December 2013

Norway

Tullow began its high-impact exploration campaign in Norway during 2013 and in early September 2013 the Group made a play opening light oil discovery at the Wisting Central well in the Hoop-Maud Basin in the Barents Sea. The Wisting Alternative well targeted a deeper, unrelated formation and was drilled in October 2013, but encountered oil shows in poor quality reservoir rock and has been plugged and abandoned. The Wisting Central discovery will be appraised in 2014 and this discovery significantly de-risks similar shallow prospects in the licence.

Regional information 2013

Countries	**9**
Licences	**96**
Acreage (sq km)	**107,282**
Total production (boepd)	**19,200**
Reserves & resources (mmboe)	**163.4**
Sales revenue ($m)	**399**
2013 investment ($m)	**474**

Other well results during the year included the 31/3-4 exploration well on the Mantra prospect in December 2013, which encountered reservoir quality sands but all intervals were water wet. Encouragingly, the well potentially penetrated the far down dip extent of the Kuro prospect, where hydrocarbon traces have been identified. In June 2013, the 7/4-3 well, in PL 495 on the Carlsberg prospect was completed, but did not encounter hydrocarbons. The Mjøsa well in PL 511 was also completed in June 2013 and discovered uncommercial gas volumes in reservoir quality sandstone. Future activity in Norway includes the Butch East well in PL405, which commenced drilling at the end of 2013 with a result expected in the first quarter of 2014. Tullow plans to drill its next operated well, the Gotama prospect in PL 550, during the first quarter of 2014.

Tullow was successfully awarded three new licences in the 22nd Norwegian Licensing Round in June 2013. The licences lie in frontier areas of the west, north and central Barents Sea and Tullow holds non-operated equities of 20-40%.

Production from the Brage field in Norway was in line with expectations, averaging 300 boepd net for the full year.

UK and Netherlands

Full year production in Tullow's Southern North Sea assets has been in line with expectations with 9,200 boepd in the UK and 5,300 boepd in the Netherlands. UK production was supplemented by the successful drilling and completion of the Schooner-11 well which came on stream in October 2013 at a rate of 35 mmscfd. Performance in the Netherlands has been sustained due to the K8 A 308 and K12 B11 wells which were brought on stream in April 2013.

In the UK, Tullow relinquished the operated Cameron discovery within block 44/19b, prior to the licence expiring.

In the Netherlands, the Tullow-operated Vincent exploration well commenced drilling in October 2013 and was successfully drilled to a TD of 4,027 metres. The well encountered a gas column of 72 metres and net pay of 25 metres and has been tested at a stable rate of 64 mmscfd. The Vincent well has therefore successfully opened the under-explored Netherlands Carboniferous sub-crop play that has proved so successful in the UK Continental Shelf. These results will now be incorporated into our regional geological model.

As previously announced, the Southern North Sea asset sale has been restructured.

Greenland

Tullow's farm-in to Block 9 (Tooq licence) was completed in December 2013 and a very material oil prospect, perhaps the largest in the region, has been mapped from recently processed 3D seismic data. Throughout 2013, Tullow and its joint venture partners have worked on a technical and non-technical work programme in order to decide whether to drill an exploration well in 2015. This decision will be made only if Tullow is satisfied that all necessary technical, environmental, safety and social standards have been reached.

French Guiana

The French Guiana drilling programme was completed in 2013. Priodontes-1 (GM-ES-3) was declared unsuccessful in April 2013 due to a trap-specific issue with no material consequences for prospectivity elsewhere in the block. GM-ES-4 on the Cebus prospect was completed in July 2013 and whilst there was extensive development of the targeted sands, no hydrocarbons were found and the well was plugged and abandoned. The final well in the drilling programme, GM-ES-5, was drilled into the water leg of the Zaedyus-1 oil pool and delineated the oil-water contact.

The Stena IceMax rig was demobilised and left the Block in early December 2013. 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.

Key producing assets

Country	Field (Tullow%)	2013 working interest production (boepd)
Netherlands	Over 30 fields (4.69% – 22.5%)	5,300
Norway	Brage (2.5%)	300
UK	CMS & Thames Areas (14.1 – 100%)	9,200
Bangladesh*	Bangora (30%)	4,400
Total		**19,200**

* Tullow sold its Bangladesh assets to KrisEnergy in December 2013

Suriname

In Suriname, seismic interpretations from a 3,000 sq km 3D survey taken over Block 47 in late 2012 confirm the presence of major deepwater turbidite systems. An attractive prospect inventory has been completed and ranked, with the Goliathberg/Votzberg South prospect identified for a potential exploration well for 2015.

In the first half of 2013, Tullow agreed terms with Teikoku Oil (Suriname) Co., Ltd, a subsidiary of INPEX CORPORATION, to farm in to offshore Block 31. Tullow acquired a 30% stake (INPEX to retain 70%), subject to sanction from the state oil company, Staatsolie which is expected in the first quarter of 2014.

Tullow and Statoil made a successful joint bid for offshore Block 54, in the Suriname International Bid Round 2013. Tullow will be the operator with a 50% interest.

Guyana

In the second quarter of 2013, Tullow reached an agreement with Repsol to secure a 30% interest in the newly defined Kanuku Block offshore Guyana. The transaction was completed in December 2013 following Government approval. Repsol is the operator with 70% equity and Tullow 30% equity. 2D (857 kms) and 3D (3,175sq kms) seismic was acquired in December 2013.

Uruguay

Tullow signed an agreement in April 2013 to farm out a 30% working interest to INPEX Uruguay Ltd on Block 15. This transaction was completed in December 2013. A 2,000 sq km 3D seismic programme was completed in September 2013, with interpretation of the data underway, fulfilling the licence's Phase 1 commitments.

Bangladesh & Pakistan

As part of planned divestments, Tullow completed the sale of its Bangladesh assets to KrisEnergy Asia Holdings Ltd in December 2013. Tullow is awaiting Government consent to complete the sale of its Pakistan assets to Ocean Pakistan Ltd.

FINANCIAL REVIEW

Financial results summary

Unit	2013	2012	% Change
Working interest production volume (boe)	**84,200**	79,200	6%
Sales volume (boe)	**74,400**	68,000	9%
Realised oil price ($/bbl)	**105.7**	108.0	-2%
Realised gas price (p/therm)	**65.6**	58.5	12%
Sales revenue ($m)	**2,647**	2,344	13%
Cash operating costs ($per boe)	**16.5**	14.6	13%
Exploration write-off ($m)	**871**	671	30%
Operating profit ($m)	**381**	1,185	-68%
Profit before tax ($m)	**313**	1,116	-72%
Profit after tax ($m)	**216**	666	-68%
Basic earnings per share (cents)	**18.6**	68.8	-73%
Cash generated from operations ($m)	**1,901**	1,777	7%
Operating cash flow (before WC) ($m)	**59.8**	59.3	1%
Dividend per share (pence)	**12.0**	12.0	0%
Capital investment ($m)	**1,800**	1,870	-4%
Net debt ($m)	**1,909**	989	93%
Interest cover (EBITDA/ net interest) (times)	**40.2**	48.3	-8.1
Gearing (net debt/net assets) (%)	**35**	19	16%

Production and commodity prices

Working interest production averaged 84,200 boepd, an increase of 6% for the year (2012: 79,200 boepd). This is primarily due to increased production from the Jubilee field offset by decline in mature fields in Europe and Asia. Sales volumes averaged 74,400 boepd, up 9% compared to 2012.

On average, oil prices in 2013 were slightly lower than in 2012. Realised oil price after hedging for 2013 was US$105.7/bbl (2012: US$108.0/bbl), a decrease of 2%. European gas prices in 2013 were higher than 2012. The realised European gas price after hedging for 2013 was 65.6 pence/therm (2012: 58.5 pence/therm), an increase of 12%.

Operating costs, depreciation, impairments and expenses

Underlying cash operating costs, which excludes depletion and amortisation and movements in underlift/overlift, amounted to $524 million; $16.5/boe (2012: $437 million; $14.6/boe). The increase of 13% in underlying cash operating costs per barrel is principally due to the impact of lower production on fixed costs on mature assets and Jubilee well workover activity during 2013.

DD&A charges before impairment on production and development assets amounted to $565 million; $17.8/boe (2012: $537 million; $17.9/boe). The Group recognised an impairment charge of $53 million; $1.7/ boe (2012: $31 million; $1.0/boe) in respect of an increase in anticipated future decommissioning costs on the Thames field ($44 million), the difference between the disposal proceeds and net book value of Tullow Bangladesh Limited ($5 million) and on the Brage field in Norway ($4 million). The impairment charge net of tax amounted to $32 million.

Administrative expenses of $219 million (2012: $191 million) include an amount of $40 million (2012: $31 million) associated with IFRS 2 – Share-based Payments. The increase in total general and administrative costs is primarily due to the continued growth of the Group during 2013 with Tullow's total workforce increasing by 14% to 2,034 people.

Total costs written-off

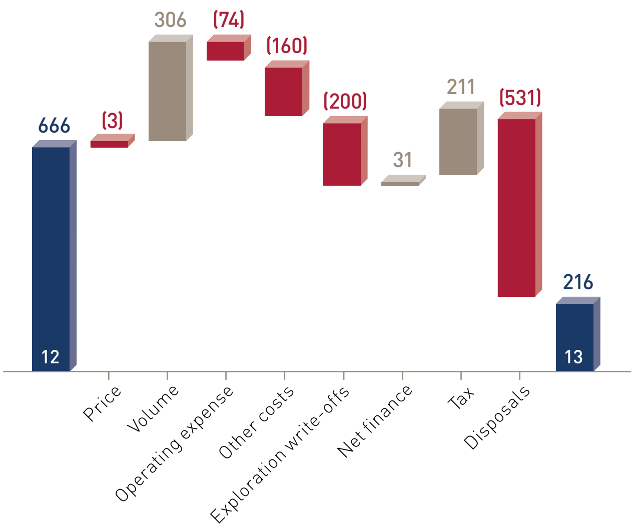
	2013 $m	2012 $m
Exploration costs written off	**(871)**	(671)
Associated deferred tax credit	**174**	70
Net exploration costs written off	**(697)**	(601)

During 2013 the Group spent $1.1 billion, including Norway exploration costs on a post-tax basis, on exploration and appraisal activities and has written off $417 million in relation to this expenditure. This included write-offs in French Guiana ($101 million), Norway ($28 million), Gabon ($28 million), Ethiopia ($45 million) and Mozambique ($77 million) and new venture costs were $75 million. In addition the Group has written off $280 million in relation to prior years expenditure and fair value adjustments as a result of licence relinquishments and changes to future work programmes. This included write-offs in Kenya ($79 million) due to the relinquishment of Block 10A, Uganda ($67 million) in respect of the offshore block containing the Ngassa discoveries and the UK ($30 million) due to the relinquishment of the Cameron discovery.

Derivative 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.

Profit after tax versus 2012



At 31 December 2013, the Group's derivative instruments had a net negative fair value of $70 million (2012: negative $59 million), inclusive of deferred premium. While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a pre-tax charge of $20 million (2012: 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 2013.

Hedge position	**2014**	2015	2016
Oil hedges			
Volume	**35,500**	27,500	13,000
Current price hedge ($/bbl)	**106.74**	101.99	97.57
Gas hedges			
Volume (mmscfd)	**14.46**	4.87	0.61
Current price hedge (p/therm)	**62.51**	64.81	69.30

Net financing costs

The net interest charge for the year was $48 million (2012: $49 million) and reflects an increase in finance revenue associated with the interest received on settlement of the Heritage Oil and Gas High Court case offset 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 2013 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.

Taxation

The tax charge of $97 million (2012: $450 million) relates to the Group's North Sea, Gabon, Equatorial Guinea and Ghanaian production activities offset by the tax refund in relation to Norwegian exploration and deferred tax credits associated with exploration write-offs. After adjusting for exploration write-offs, the related deferred tax benefit in relation to the exploration write-offs and profits/losses on disposal, the Group's underlying effective tax rate is 32% (2012: 41%). The decrease in underlying effective tax rate is primarily a result of higher PSC income.

Profit after tax from continuing activities and basic earnings per share

Profit for the year from continuing activities decreased by 68% to $216 million (2012: $666 million). Basic earnings per share decreased by 73% to 18.6 cents (2012: 68.8 cents).

Dividend per share

The Board is proposing a final dividend of 8.0 pence per share (2012: 8.0 pence per share). The dividend will be paid on 9 May 2014 to shareholders on the register on 4 April 2014 subject to the approval of shareholders at the Annual General Meeting to be held on 30 April 2014. Shareholders with registered addresses in the UK will be paid their dividends in pounds Sterling. Those with registered addresses in European countries which have adopted the Euro will be paid their dividends in Euro. Such shareholders may, however, elect to be paid their dividends in either pounds Sterling or Euro, provided such election is received at the Company's registrars by 15 April 2014. Shareholders on the Ghana branch register will be paid their dividends in Ghana Cedis. The conversion rate for the dividend payments in Euro or Ghana Cedis will be determined using the applicable exchange rate on 16 April 2014. A dividend re-investment plan (DRIP) is available to shareholders on the UK register who would prefer to invest their dividends in the shares of the Company. The last date to elect for the DRIP and to qualify for the share alternative in respect of this dividend is 15 April 2014.

Operating cash flow

Operating cash flow before working capital movements increased by 7% to $1.9 billion (2012: $1.8 billion) as a result of increased sales volumes from Jubilee, offset by higher cash operating costs. In 2013, this cash flow together with increased debt facilities helped fund $2.0 billion capital expenditure in exploration and development activities, $298 million payment of dividends and the servicing of debt facilities.

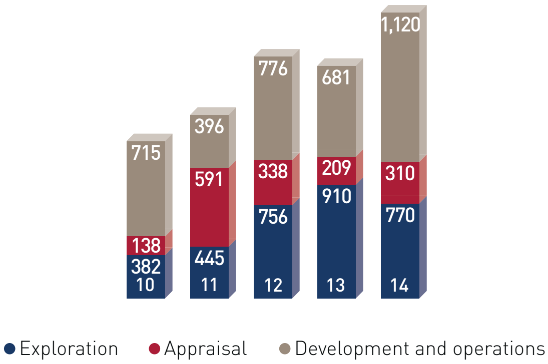
	$m
Year-end 2012 net debt	**(989)**
Revenue	2,647
Operating costs	(524)
Operating expenses	(222)
Cash flow from operations	1,901
Movement in working capital	97
Tax paid	(252)
Capital expenditure	(2,009)
Acquisitions	(481)
Disposals	80
Other investing activities	34
Financing activities	(298)
Cash held for sale	1
Foreign exchange gain on cash and debt	7
Year-end 2013 net debt	**(1,909)**

Capital expenditure

2013 capital expenditure amounted to $1.8 billion (2012: $1.9 billion) (net of Norwegian tax) with 38% invested in development activities, 12% in appraisal activities and 50% in exploration activities. More than 40% of the total was invested in Kenya, Ghana and Uganda and over 70%, more than $1.3 billion, was invested in Africa. Based on current estimates and work programmes, 2014 capital expenditure is forecast to reach $2.2 billion (net of Norwegian tax).

2014 Capital expenditure

$2.2 BILLION



Portfolio management

During December 2013 the Bangladesh asset sale completed resulting in receipt of $41 million in proceeds. On 11 October 2013, Tullow signed a Sales and Purchase agreement with Ocean Pakistan Limited, a part of the Hashoo Group, for the sale of Tullow's 100% owned Pakistan subsidiary (TPDL). Government and regulatory approval has been requested and is expected in early 2014. The Southern North Sea asset sale is being restructured and sales of parts of this portfolio are expected to occur gradually. Following the receipt of initial bids, it became clear that the sales strategy needed to be adjusted to reflect current market conditions and to ensure that Tullow receives appropriate value from assets that are performing well with strong cash flows and have further exploration upside. The process to farm down Tullow's interest in the TEN Development is ongoing with proposals being evaluated.

Net debt and financing

On 6 November 2013, Tullow completed an offering of $650 million of 6% senior notes due in 2020 having originally offered $500 million. The net proceeds have been used to repay existing indebtedness under the Company's credit facilities but not cancel commitments under such facilities. Tullow's inaugural bond issue enabled us to diversify our debt capital structure with new global fixed income investors. Commitments under the Reserves Based Lending credit facility remain unchanged at $3.5 billion from 2012 as do commitments under the Revolving credit facility of $0.5 billion. At 31 December 2013, Tullow had net debt of $1.9 billion (2012: $1.0 billion). Unutilised debt capacity at year-end amounted to approximately $2.4 billion. Gearing was 35% (2012: 19%) and EBITDA interest cover decreased to 40.2 times (2012: 48.3 times). Total net assets at 31 December 2013 amounted to $5.4 billion (31 December 2012: $5.3 billion) with the increase in total net assets principally due to the profit for the year from continuing activities.

Accounting policies

UK listed companies are required to comply with the European regulation to report consolidated statements that conform to International Financial Reporting Standards (IFRS). The Group's significant accounting policies and details of the significant accounting judgements and critical accounting estimates are disclosed within the notes to the financial statements. The Group has not made any changes to its accounting policies in the year ended 31 December 2013.

Capital market relationships

Tullow places great emphasis on achieving top quartile and best practice performance in investor relations and capital market communications. Some 30 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 2013, Senior Management and Investor Relations met with over 350 institutions in the UK, Europe, North America and Africa. Additionally investors in Kuala Lumpur, Singapore, Hong Kong, Tokyo and Sydney were visited during an inaugural Investor Relations roadshow to Asia Pacific. Management and Investor Relations participated in 13 investor conferences and 10 sales force briefings.

INVESTOR RELATIONS APP

In early 2013, Tullow launched an Investor Relations and Media app for tablets and smart phones to enable easy access to a suite of investor materials.

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

Tullow's Investor Relations team was again recognised for their strong performance during the year. In the 2013 Thomson Extel survey, the Investor Relations department was ranked fourth out of 69 Oil and Gas companies in Europe with senior members of the team being ranked first and second out of 125 European Investor Relations oil and gas professionals.

In October 2013, Tullow issued its first Corporate Bond. After roadshowing in the UK and the US, in 2014 Tullow will continue to engage with its new bond investors through a number of High Yield conferences throughout the year.

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, portfolio management opportunities are reviewed potentially to 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 2013 Annual Report and Accounts.

2014 principal financial risks and uncertainties

The principal financial risks to performance identified for 2014 are:

- Continued delivery of financial strategy to maintain appropriate liquidity;
- Ensuring cost and capital discipline and effective supply chain management;
- Oil price and overall market volatility; and
- Delivery of planned portfolio activity.

Events since year-end

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

In January 2014, Tullow announced oil discoveries at the Amosing-1 and Ewoi-1 exploration wells in Block 10BB onshore northern Kenya. As a result of these latest successes, Tullow updated its estimate of discovered resources in this basin to over 600 mmbo gross.

On 5 February 2014 a Memorandum of Understanding was signed between the Government of Uganda and Tullow, Total and CNOOC agreeing a basin wide commercialisation plan for the Lake Albert Basin.

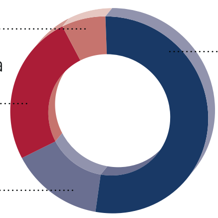
SUBSTANTIAL SHAREHOLDINGS

As at 11 February 2014, the Company had been notified in accordance with the requirements of section 5.1.2 of the UK Listing Authority's Disclosure Rules and Transparency Rules of the following significant holdings (being 3% or more) in the Company's ordinary share capital.

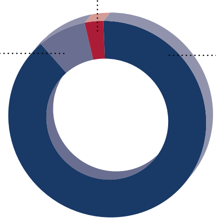
Shareholder	Number of shares	% of issued capital
BlackRock Inc	90,154,669	9.91%
Genesis Asset Managers, LLP	72,871,524	8.01%
IFG International Trust Company Limited	38,960,366	4.28%

Following requests under section 793 of the Companies Act 2006, the Company understands that the percentage of its issued share capital held by BlackRock Inc has reduced to 7.34% and that held by Genesis Asset Managers, LLP is broadly unchanged at 8.02%.

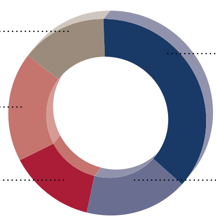
Shareholder analysis by geography



Shareholder analysis by category



Shareholder analysis by investment style



RISK MANAGEMENT

We consider the long-term risks and opportunities we face in a wide number of business activities and this supports decision making at an asset, business unit, regional, functional, Group and strategic level. Our ability to manage risk is continually growing through our focus on developing risk management capability and by learning from post-incident reviews. In 2013, we focused on developing our capability in emergency preparedness and incident management, EHS, bribery and corruption, social and political risks. Our suspension of operations in Kenya in 2013 was followed by an internal investigation, from which we have learned and will apply changes. This demonstrates our ability to respond quickly when a risk crystallises to mitigate its current impact and into the future.

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 three year business plan, evaluating risks to the delivery of the plan and defining operational targets. Key strategic risks and opportunities are also collated as part of the Board's annual review. Board committees, including the Audit, Nominations, Remuneration and EHS Committees, play a key role in reviewing the effectiveness of Tullow's risk management.

The Board also sets risk management Board objectives and evaluates its performance. In 2013 the Board focused on specific risks associated with social impacts and external stakeholder relations, country risk, EHS, security and human rights and treasury and financing options; as well as ensuring appropriate systems and processes exist to identify, monitor and manage evolving risks. In 2014, the Board's risk management objectives include political risk evaluation, community relations and social performance, security and human rights and EHS, particularly process safety. Further information on the Board's objectives is on pages 84 to 85 of this report.

The Board and senior management receive monthly reports on the status of risks and mitigation actions. This process tracks progress in mitigating risk, identifies new or emerging risks and refines mitigation processes in line with changes in the external operating environment.

Each Executive Director has a defined responsibility and accountability for aspects of risk management. The newly formed Executive Committee is a significant organisational change in 2014, which will enhance overall risk management.

"EACH EXECUTIVE DIRECTOR HAS A DEFINED RESPONSIBILITY & ACCOUNTABILITY FOR ASPECTS OF RISK MANAGEMENT."

The Executive Committee, which meets weekly, is responsible for:

- Managing delivery of budget and business plan;
- Drive cost and operational efficiency;
- Ensure consistent and integrated management;
- Support strategic planning and risk management; and
- Evaluate and monitor the delivery of projects.

A number of cross-functional committees – the GELT, Development & Operations Leadership Team and Financial Risk Committee – provide further assurance of the Group's technical, commercial and financial risks. On a quarterly basis, Senior Management assess the Group's performance through Business Unit reviews, which include risk assessment and mitigation plans.

Regional Business Managers and corporate functions coordinate and manage the operational activities of the Business Units and the wider business. Risk is managed by Business Unit Managers through in-country 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 overall system of internal controls and risk management structure, together with monthly and quarterly reporting, leads to an effective information exchange and facilitates decision-making focused on risk management.

Tullow's key policies, standards, procedures and systems to support risk management are referenced in the 'long-term performance risks' table on pages 73 to 77.

We have identified a number of 'evergreen' risks to our longer-term performance and strategic delivery, which are in addition to the shorter and medium-term principal risks that are specifically associated with the delivery of our business plan. We believe these risks could potentially adversely impact our employees, operations, performance and assets. Each year we critically review and evaluate the risks Tullow faces and refresh these to reflect the changes in our business and operational profile. The tables on pages 73 to 77 represent the Board and Management's view of the most material and important long-term performance risks to Tullow. As a result they do not comprise all the risks and uncertainties we face.

	STRATEGY FAILS TO MEET SHAREHOLDER OBJECTIVES	SUSTAINED EXPLORATION FAILURE	KEY OPERATIONAL OR DEVELOPMENT FAILURE
Strategic priority	**Strategic objective** Deliver substantial returns to shareholders.	Execute selective high-impact exploration and appraisal programmes.	Safely manage and deliver all major projects and production operations, increasing cash flow and commercial reserves.
Executive responsibility	**Aidan Heavey** Chief Executive Officer	**Angus McCoss** Exploration Director	**Paul McDade** Chief Operating Officer
Performance indicator	• Long-term TSR	• Resources growth • Exploration success ratio • Portfolio renewal and high-grading • Finding costs	• Yearly operations targets • Timely delivery of projects • Production forecasts
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.	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.	Operational delivery fails to meet cost and schedule budgets or operational objectives, causing returns to be eroded.
Policies and systems	Exploration-led growth strategy, ongoing portfolio management, three-year business plan, active Investor Relations programme, bi-annual investor survey, annual review of strategic objectives and monthly operational and financial reporting.	Clear exploration strategy based on core campaigns, GELT, competitive capital allocation process and annual high-impact E&A programme.	Development & Operations Leadership Team, project leadership team, asset specific PoD, EHS systems and policies, Delegation of Authority (DoA), Code of Business Conduct and asset delivery risk management.
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, effective communication with all stakeholders, based on open and transparent dialogue.	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 spend. Application of technical excellence and appropriate technologies in exploration methodologies.	Technical, financial and Board approval required for all projects, and for all dedicated project teams. Risk evaluation and progress reporting initiated for all projects and reported on monthly.
Risk mitigation in 2013	• Reaffirmation of exploration-led growth strategy • Exploration success in Norway and Kenya • TEN development project under way following Government approval and award of key contracts • Meetings with 350 institutions • Market perception survey	• 100% exploration success rate in onshore Kenya with an updated estimate of discovered resources to over 600 mmbo • Basin-opening exploration success in Norway • Over 200 mmboe of Contingent Resources added	• Production for year 84,200 boepd, 6% increase on 2012 • TEN development project under way with key contracts awarded to deliver first oil in mid-2016 • Banda Field Development Plan approved by Government, progress to agree commercial contracts for full project sanction underway

	INSUFFICIENT LIQUIDITY, INAPPROPRIATE FINANCIAL STRATEGY	COST & CAPITAL DISCIPLINE	OIL & GAS PRICE VOLATILITY
Strategic priority	Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.	Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.	Manage financial and business assets to enhance our portfolio, replenish upside potential and support funding needs.
Executive responsibility	**Ian Springett** Chief Financial Officer	**Ian Springett** Chief Financial Officer	**Ian Springett** Chief Financial Officer
Performance indicator	• Operating cash flow • Debt profile and capacity • Gearing	• Cash operating costs per boe • Finding costs per boe • Capital expenditure and cost management targets	• Realised commodity prices
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.	Ineffective cost control leads to reduced margins and profitability, reducing operating cash flow and the ability to fund the business.	Volatility in commodity prices impacts the Group's revenue streams, with an adverse effect on liquidity.
Policies and systems	Financial strategy, cash flow forecasting and management and capital allocation processes.	DoA and budgeting and reporting processes, and project approval process for all significant categories of expenditure.	Hedging strategy.
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.	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.	Hedging strategy agreed by the Board, with monthly reporting of hedging activity.
Risk mitigation in 2013	• $650 million corporate bond issued • TEN farm-down in progress • Sale of Pakistan and Bangladesh assets agreed	• Capital expenditure for 2013 was $1.8 billion (2012: $1.9 billion) • Finding costs $5.1 per boe • Cash operating costs $16.5 per boe • Monitoring of expenditure integrated with quarterly Business Unit reviews of performance	• Realised oil price $105.7/bbl • Realised gas price 65.6 pence per therm

SUPPLY CHAIN FAILURE	EHS FAILURE OR SECURITY INCIDENT	INFORMATION & CYBER SECURITY
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.	Ensure safe people, procedures and operations and minimise environmental impacts.	Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.
Graham Martin Executive Director & Company Secretary	**Paul McDade** Chief Operating Officer	**Angus McCoss** Exploration Director
• Timely delivery of projects • Due diligence checks • Contract management scorecard • Local Content Expenditure	• EHS scorecard	• Prevent cyber attacks and information security breaches
A delay in delivery of products or services results in project delivery delays, causing significant financial penalties and a loss of reputation with stakeholders. Insufficient Local Content will jeopardise our licence to operate and breach legislation in some countries.	Major event from drilling or production operations impacts staff, contractors, communities or the environment, leading to loss of reputation, revenue and/or shareholder value.	Loss of sensitive proprietary information, financial fraud, reduction or halt in production.
Group contracting and procurement procedures, post contract award procedures, market, contract and supplier due diligence, logistics standard operating procedures and Local Content policy.	Board-level EHS Committee, Group-wide EHS policies, Tullow Oil Environmental Standards (toes), EHS Management Standards, crisis management procedures, EHS Strategy Forum, Tullow Security Standard, Tullow Safety Rules, Occupational Health programme, application of the Voluntary Principles of Security and Human Rights (VPSHR).	Information security policy framework defines structure, risk methodology, levels of activity, Group policy and standards.
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 to avoid significant issues.	Board-level commitment. EHS standards set and monitored across the Group through Business Unit performance reporting. Clear EHS standards, policies and procedures supported by strong leadership accountability and commitment throughout the organisation. Over 100 EHS professionals embedded in the business.	The information security strategy integrates information, personnel and physical security. A collaborative cross-functional risk group provides governance and ensures technical and non-technical solutions are both effective and proportionate. A Protect, Monitor, Analyse and Respond methodology recognises the ever–changing threat landscape that drives investment in next generation technologies.
• Independent review of all suppliers • Supplier risk assessment and due diligence revised and risk management now embedded for pre and post award activities • Supplier monitoring integrated with Tullow supplier performance management procedures being rolled out • Training under way to improve contract holder capability in supplier management	• EHS and External Affairs teams integrated to enhance non-technical risk management • EHS Management Standards implemented • Enhanced land transport policy and standard implemented • Board EHS Committee operational	• Information security training programme rolled out • Multifunctional Information Security Committee established • Information security policy framework updated • UN Cyber Governance Health Check completed

	BRIBERY & CORRUPTION	GOVERNANCE & LEGAL RISK	LOSS OF KEY STAFF & SUCCESSION PLANNING
Strategic priority	Ensure adequate procedures are in place to minimise risks to bribery and corruption.	Achieve strong governance across all Tullow activities and continue to build trust and reputation with all stakeholders.	Build a strong unified team with excellent commercial, technical and financial skills and entrepreneurial flair.
Executive responsibility	**Graham Martin** Executive Director & Company Secretary	**Graham Martin** Executive Director & Company Secretary	**Graham Martin** Executive Director & Company Secretary
Performance indicator	• Rollout of the Code of Conduct training and certification	• No material issues or claims arising	• Staff turnover • Recruitment for key roles
Impact	Corrupt actions or practices in the Group's activities leading to prosecutions or investigations, impacting on the Group's reputation and leading to loss of shareholder value.	Contractual or other liability claims cause unplanned financial, reputational or operational impact on business continuity, ultimately eroding shareholder value.	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	Code of Business Conduct and corporate responsibility policies and systems.	Stakeholder engagement. Ensure timely identification, resourcing and management of potential legal liability claims.	HR strategy, localisation, our values, HR function and policies, performance management and training and development. Talent management and external benchmarking.
Mitigation process	Consistent ethical standards established and applied through the Code of Business Conduct, and through contract and procurement procedures. Conduct regular reviews of compliance requirements together with periodic Board reporting.	Experienced legal and commercial teams integrated with business decision making process; comprehensive knowledge of contractual and regulatory regimes.	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 in 2013	• Code of Conduct Certification process extended to all staff • Compliance team resources strengthened • Bribery and corruption risk management process implemented • 2012 Good Corporation compliance review implemented • Confirmation of Code awareness programme conducted	• Established relationships with experienced local and international external counsel	• Staff turnover remains low at 4.5% • Succession planning under way for the key 100 roles within the Group • New 'People' strategy roll out, including Executive travel to main offices for values and behaviours workshops

POLITICAL RISK	SOCIAL RISK
Nurture long-term relationships with local governments, communities and key stakeholders.	Nurture long-term relationships with local governments, communities and key stakeholders.
Paul McDade Chief Operating Officer	**Paul McDade** Chief Operating Officer
• No stoppages to our activities • No disturbances or force majeure events	• No stoppages to our activities • No disturbances or force majeure events
Changes in political regimes can lead to re-negotiation of licence and agreement terms or delays in grants of licences and approval of agreements or other state action, which is largely outside of our control.	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 impacts on traditional livelihoods, local employment and business opportunities, and land acquisition and resettlement, among others.
Portfolio risk management tool including review of political regimes and risks.	Group Social Performance standard drafted for approval and implementation in 2014.
Early identification and ongoing monitoring of political risks and opportunities. Management plans addressing political impacts associated with existing or planned operations. Ensuring that Tullow has appropriate resourcing and competency to identify, analyse and advise on political risk management.	Social investment projects targeted at managing social risks and at delivering opportunities to maximise our business benefits. Policy and management system for operating in sensitive areas. Community engagement supported by grievance management processes.
• Political stakeholder mapping within key countries of operation • Identification of political risks and opportunities and appropriate planning and stakeholder engagement • Development of practical political risk guide for business units, to implement best practice processes, tools and governance models for political/risk identification and mitigation	• Doubled discretionary investment in social projects in Kenya • Strengthened attention on social performance in Environmental Social Impact Assessments • Piloted social performance and stakeholder engagement software management tool in East Africa • Recruited additional Community Liaison Officers

More information

Risk Management in the Strategic Report → **42**

Board objectives → **84**

Shared Prosperity → **51**

This Directors' 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

ACQUISITION IN NORWAY

Following the completion of the Spring Energy acquisition in early 2013, Tullow commenced a high-impact exploration programme in Norway. The Wisting Central wildcat well drilled offshore Norway in September 2013 made a play opening light oil discovery offshore in the Hoop-Maud Basin in the Barents Sea. Tullow was successfully awarded three new licences in the 22nd Norwegian Licensing Round in June 2013. The licences lie in frontier areas of the west, north and central Barents Sea and Tullow will hold non-operated equities of 20 to 40%.

3

CORPORATE GOVERNANCE

APPLYING THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code

As a UK company with a premium listing on the London Stock Exchange, Tullow Oil plc is required, under the UK Listing Rules, to comply with the UK Corporate Governance Code published in September 2012 ('the Code') in respect of the year ended 31 December 2013.

A copy of the Code is publicly available on the website of the Financial Reporting Council at www.frc.org.uk

The Code provides the standards for good corporate governance in the UK for the period under review. This corporate governance report describes the manner in which the Company has applied the principles set out in the Code during the year. The main principles of the Code focus on Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders and this report follows the same format.

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 2013.

Leadership

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

The role of the Board

The Board sets the Group's strategy and ensures that the necessary resources are in place to achieve the agreed strategic aims and objectives. It determines the Company's key policies and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. To achieve this, the Board directs and monitors the Group's affairs within a framework of controls which enable risk to be assessed and managed effectively. This is done through clear procedures, lines of responsibility and delegated authorities. The Board also sets the Group's core values and standards of business conduct and ensures that these, together with the Group's obligations to its stakeholders, are widely understood throughout the Group.

Board meetings and visits

The core activities of the Board are carried out in scheduled meetings of the Board and its Committees. Additional ad hoc meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During 2013, the Board met on eight occasions. Separately, a programme of strategy presentations on a wide number of operational and other issues is given to the Board in June each year. During the year, each of the four Regional Business Managers presented a strategic overview of their respective region to the Board for endorsement.

To ensure that the Board sees the Company's operations overseas, the Board normally holds at least one Board meeting each year at one of the principal overseas offices of the Group. This provides Senior Management from across the Group with the opportunity to present to the Board and to meet the Board members informally. It also provides the Board with an opportunity to meet a broad cross-section of staff, to assess senior managers at first hand and to review operational and especially non-technical risk matters in depth. Although a visit to Kenya had been arranged for October 2013, this had to be postponed because of the terrorist attack on the Westgate Shopping Mall in Nairobi. The visit will now take place in March 2014. Separately, during 2013, Simon Thompson made several visits to overseas offices accompanied by Executive Directors. The offices he visited included Cape Town, Dublin, and Nairobi.

Outside the scheduled meetings of the Board, the Chairman and Chief Executive Officer maintain frequent contact with the other Directors to discuss any issues of concern they may have relating to the Group or their areas of responsibility, and to keep them 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 2013, the Board considered all relevant matters within its remit, but focused in particular on the following key issues:

- Strategy and resource allocation;
- External affairs;
- Portfolio management;
- Finance and treasury;
- Governance and compliance; and
- Organisational design, capacity and succession planning.

Attendance at meetings

The attendance of Directors at the eight scheduled meetings of the Board held during 2013 was as follows:

Meetings attended

Director	No. of meetings attended (out of a total possible)
Simon Thompson	8/8
Aidan Heavey	8/8
Tutu Agyare	8/8
David Bamford	8/8
Anne Drinkwater	8/8
Ann Grant	8/8
Steve Lucas	7/8
Graham Martin	7/8
Angus McCoss	8/8
Paul McDade	8/8
Ian Springett	7/8
Jeremy Wilson	1/2

1. Jeremy Wilson was appointed as a Director on 21 October 2013.
2. Due to prior commitments, Jeremy Wilson and Steve Lucas were unable to attend one Board meeting. Jeremy Wilson had previously advised the Board that he would be unable to attend this meeting. Ian Springett was unable to attend one Board meeting because of illness. Graham Martin was unable to attend one Board meeting as he was appearing as a witness in Tullow's High Court action in London against Heritage.
3. In addition to the Board members, a number of senior managers attend relevant sections of Board meetings by invitation.

Division of responsibilities

There is a defined separation of the responsibilities between Simon Thompson, the non-executive Chairman, and Aidan Heavey, the Chief Executive Officer, which has been set out in writing and agreed by the Board. The Chairman is primarily responsible for the effective working of the Board, whilst the Chief Executive Officer is responsible for the operational management of the business, for developing strategy in consultation with the Board and for implementation of the strategy.

The Chairman

The Chairman sets the Board agenda and ensures adequate time for discussion. At the time of his appointment as Chairman on 1 January 2012, Simon Thompson met the independence criteria set out in the Code.

Non-executive Directors

The non-executive Directors bring a broad range of business and commercial experience to the Company and have a particular responsibility to challenge independently and constructively the performance of the Executive management and to monitor the performance of the management team in the delivery of 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 being present. Separately, the Chairman and Chief Executive Officer hold informal meetings with the non-executive Directors to discuss current issues affecting the Group.

Efforts are made to ensure that the non-executive Directors are briefed on the more technical and operational aspects of the Group's activities, such as major offshore development projects (e.g TEN), and our extensive exploration programme. Those non-executive Directors with particular expertise in these areas meet regularly with the Chief Operating Officer and the Exploration Director when they are able to contribute more fully at in-depth discussions.

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

In his capacity as Senior Independent Director, David Bamford 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 which such contact is inappropriate. During the year, he met with the other non-executive Directors without the Chairman being present to discuss the Chairman's performance.

Delegated authorities

Board Committees

The Board has delegated matters to four Committees, namely the Audit, Nominations, Remuneration and EHS Committees. The memberships, roles and activities of these are detailed in separate reports: the Audit Committee on page 89, the Nominations Committee on page 94, the Remuneration Committee on page 98 and the EHS Committee on page 96. Each Committee reports to, and has its terms of reference reviewed and approved annually by, the Board. Reports of the issues considered at meetings of the Committees are provided to the Board by the respective Committee chairmen at the next Board meeting. The Board is satisfied that the Committees have sufficient resources to carry out their duties effectively.

Executive Directors and Executive Committee
In January 2014 a new Executive Committee has been 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 2013.

Effectiveness

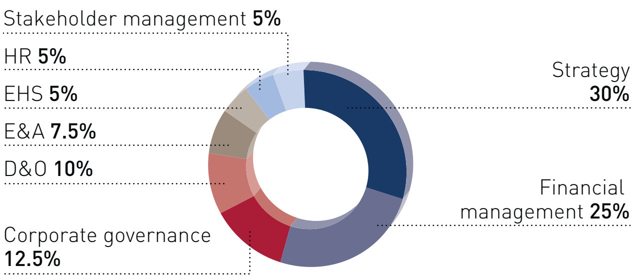
Composition of the Board
The Board currently comprises a Chairman, Chief Executive Officer, four other Executive Directors and six independent non-executive Directors. Biographical details of the Board members are set out on pages 46 to 47.

The Directors are of the view 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 2013, except for the appointment of Jeremy Wilson as a non-executive Director with effect from 21 October 2013.

Independence
The Board considers each of the non-executive Directors to be independent in character and judgement. The Board is fully satisfied that David Bamford demonstrates complete independence and robustness of character and judgement in his capacities as Senior Independent Director and Remuneration Committee Chair. This is notwithstanding that he has served on the Board for more than nine years. Mr Bamford will be retiring as a Director at the conclusion of the 2014 AGM. Further details of the process being followed to secure a replacement for Mr Bamford and of the individuals who will be assuming the roles of Senior Independent Director and Remuneration Committee Chairman are set out in the Nominations Committee Report on page 94. The Board is of the view that no individual or group of individuals dominates decision making.

Board time



Appointments to the Board
The Nominations Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes required. As part of this process, candidates disclose their other significant time commitments and are made aware of the need to inform the Board of any subsequent changes.

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

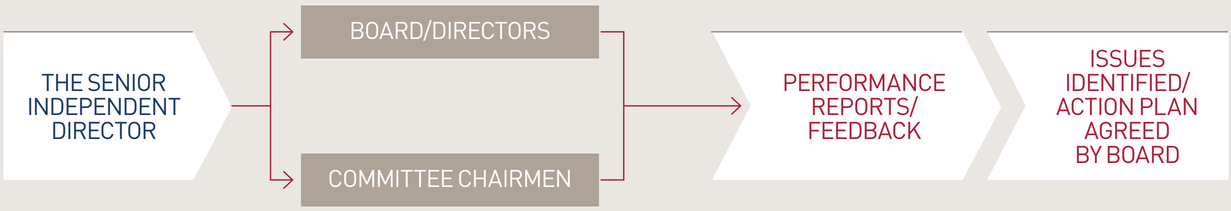
Training and development needs
Induction
All new Directors participate in an induction programme on joining the Board. This is tailored to their previous background, experience and knowledge especially in relation to the upstream oil industry generally, and Tullow in particular. This includes one-to-one meetings with Senior Management, functional and business unit heads and, where appropriate, visits to the Group's principal offices and operations. The Company Secretary also provides new Directors with an overview of their duties as Directors, corporate governance policies and Board processes as part of the induction programme.

Familiarisation and development
All members of the Board have access to appropriate professional development courses in respect of their obligations and duties as Directors and Committee members. During the year, Directors attended external seminars on relevant topics relating to the business. In addition to business updates, the Board and Committees receive ongoing briefings, including updates on governance and regulatory issues to ensure Board members remain up to date with current regulations and developments.

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 available to Directors to provide advice and is responsible for ensuring that all Board procedures are complied with. This combined role is regularly reviewed. The Company Secretary is supported by a Deputy Company Secretary in the provision of 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 Chairmen of these Committees. Board and Board Committee papers are circulated to all Directors on iPads ensuring fast, timely and secure provision of information to Board members.

BOARD PERFORMANCE EVALUATION



Board evaluation

The Board engaged Lintstock Ltd to undertake an external evaluation of the performance of the Board. The first stage of the review involved Lintstock engaging with the Chairman and the Company Secretary to set the context for the evaluation and to tailor questionnaires to the specific circumstances of the Company. All respondents were then requested to complete an online questionnaire addressing Board, Board Committees, Chairman and Individual Performance. Interviews were then conducted with members of the Board by two partners from Lintstock to expand upon the issues raised in the questionnaires. The anonymity of all respondents was ensured throughout the process in order to promote the open and frank exchange of views. Lintstock subsequently produced a report which addressed the following areas:

- The composition and diversity of the Board was reviewed, and the dynamics between the Board members and between the Board and Senior Management were evaluated, as was the atmosphere in the Boardroom;
- The management of time at the Board and the Board's annual cycle of work were considered, and the support afforded to the Board was assessed;
- The Board's oversight of strategy was reviewed, and the Board members' views of the top strategic issues facing the Company were identified;
- The risk appetite of the Board was evaluated, as was the Board's management of risk, and Board members' views as to the key risks facing the Company were identified;
- The structure of the Company at senior levels, and the succession planning for the Executive Directors and for management beneath the Board, were assessed; and
- The composition and performance of the Committees of the Board were considered in the review, as was the performance of the Chairman and individual Directors.

The conclusions of the report are summarised in the Corporate Governance Summary on page 44. The Board objectives for 2014, set out on page 84, reflect the action plan and priorities agreed by all the Directors as part of the evaluation.

Lintstock have no other connection to the Company.

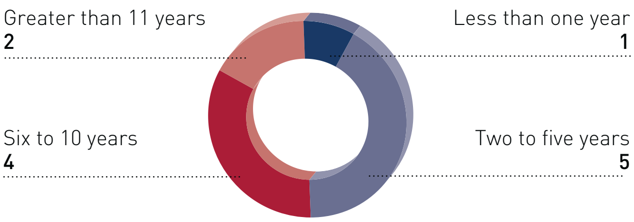
Board objectives

Our leadership team, with its experience and proven track record, provides a strong platform to deliver long-term growth. The Board brings a broad range of industry, business, commercial and other relevant experience, which we believe is vital to managing an expanding international company.

As detailed in the Governance summary on page 44, the Board works to a set of agreed objectives each year which address the major opportunities and challenges facing the Company. The objectives reflect the priorities agreed following the end-of-year Board evaluation. The progress of each objective is kept on track by Executive Director and Company Secretary, Graham Martin, who is the nominated Director for Board matters, and a mid-year review is undertaken with the Chairman.

The table on the next page shows how the Board performed against the 2013 objectives and also details the priorities and rolling agenda items the Board will focus on in 2014.

Board tenure



Board objectives

	2013 Board objectives	2013 Performance
Strategy and execution	Regularly update strategy to maximise value creation, taking into account external views on political and economic developments in host countries. Ensure adequate time is allocated for Board discussions of: • The exploration opportunity set; • Resource allocation to exploration, appraisal and development projects; • Finance and portfolio management options; and • Maintaining operating cost and capital discipline.	• The strategy was articulated in the various presentations of the 2012 annual results and 2013 half-yearly results to the market and shareholders. • It was debated and re-affirmed at a mid-year Board strategy review.
Risk management	Continue to ensure that appropriate systems and processes exist to identify, monitor and manage evolving risks, with a particular focus on: • Social impacts and external stakeholder relations; • Country risk; • EHS; • Security and human rights; and • Treasury and financing options.	• The systems and processes for monitoring various risks continued to evolve and improve throughout the year, culminating in a decision to merge the EHS and External Affairs Departments to ensure the proper resources and attention could be devoted to the most critical areas. • Mandatory criteria were agreed for Social Investment projects.
Governance and values	• Maintain and enhance Tullow's culture and values; • Reinforce compliance with Tullow's Code of Business Conduct; • Continue to strengthen internal controls and reporting; • Seek shareholder approval for new remuneration policy; and • Form a new EHS Board sub-committee.	• The Compliance Department continued to run sessions on Tullow's Code of Business Conduct, reaching around 88% of our staff. These interactive sessions focused as much on culture and values as on governance issues and drew upon some examples of less than satisfactory behaviours which came to light in the course of the year, learning lessons appropriately.
Organisational capacity	• Continue to build organisational capacity through recruitment, induction, development, recognition and reward; • Ensure organisational design is fit for purpose and evolves to reflect the growth in size and complexity of the business; • Continue to monitor senior executive development plans to provide succession for all key positions; and • Continue to increase the diversity of the management team.	• We continued to fill some key roles in 2013 and were able to attract high-calibre candidates from other companies, demonstrating the appropriateness and flexibility of the reward packages we are able to offer. • The organisational design of the business remained much the same as in 2012, except for the merger of the EHS and External Affairs Departments and the integration of the Spring Energy Team in Norway.
Stakeholder engagement	• Continue to enhance Board-level interaction with shareholders, employees, politicians, key decision-makers, NGOs and other stakeholders; and • Arrange Board visit to Kenya.	• Board-level interaction with employees continued in 2013 at various functions. While the visit to Kenya had to be postponed because of the Westgate Centre episode, it has been added to the Board calendar in March 2014.
Board development	• Undertake agreed personal development plans; and • Arrange external presentations on agreed topics	• The Chairman continued to engage with all Directors on their training and development needs, resulting in most Directors attending suitable general or bespoke courses or events.

	2014 Board objectives
• At each Board meeting there have been regular standing items on the exploration opportunity set, resource allocation, treasury, finance and portfolio management options and cost and capital discipline, and Board time allocated accordingly.	Regularly review strategy in the light of social, economic and political developments. Ensure adequate time is allocated to monitoring: • Execution of the strategy • Effectiveness of resource allocation to exploration and appraisal activities • Portfolio management • Major capital projects
• Although there was greater focus and attention during the year on social impacts and external relations in our key areas of operation, the two-week suspension of operations in Kenya, due to local unrest in Turkana, showed that there was much room for improvement by both Tullow and all levels of Government in managing stakeholder expectations. • The newly formed Board EHS Committee met four times during the year and focused on process safety, incident management, EHS culture and the measurement of EHS performance.	Continue to ensure that appropriate systems and processes exist to identify, monitor and manage evolving risks, with a particular focus on: • Political risk evaluation • Community relations and social performance • Security and human rights • EHS, particularly process safety
• While internal controls and reporting continued to be strengthened, some low level examples of failures in our systems were observed and were dealt with appropriately. • Shareholder support for the new remuneration policy was obtained at the AGM, and the EHS Board Committee was formed at the start of the year.	• Maintain and enhance Tullow's culture and values • Reinforce compliance with Tullow's Code of Business Conduct • Continue to strengthen internal controls and enhance 'whistle-blowing' facilities
• Senior executive development and succession plans are regularly kept under review, particularly at times when vacancies arise in key roles. • The diversity of the senior corporate and local management teams continued to increase in 2013 with some key roles being filled in Ghana, Kenya and in the corporate centre by local nationals and women.	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
• The Chairman represented the Company at various events and the Senior Independent Director met a number of shareholders and shareholder bodies while explaining the proposals for the new remuneration policy.	• Enhance Board-level engagement with shareholders, politicians, CSOs and other stakeholders • Arrange Board visit to Kenya
• The Board continued to invite various external speakers to present at Board meetings on topics such as political risk in our key areas of operation in Africa and stakeholder engagement.	

RELATIONS WITH SHAREHOLDERS

Communication and dialogue

2013 has been a challenging year for exploration and production companies. Throughout the year, Tullow has continued to maintain open and transparent communication with shareholders and potential investors. Regular dialogue is maintained with our shareholders through meetings, presentations, conferences and ad hoc events with institutional investors and sell-side analysts. Over the year, the Investor Relations team and Senior Management met over 350 institutions and the Group participated in 13 investor conferences globally. Executive Directors and Senior Management travelled to meet institutional investors in the UK, Ireland, Germany, France, Switzerland, Scandinavia, Benelux, Ghana, South Africa and North America. An inaugural Investor Relations roadshow to Asia Pacific also took place in November to visit institutional investors in Kuala Lumpa, Singapore, Hong Kong, Tokyo and Sydney with a high level of interest seen in all five cities. An Executive management roadshow is now planned to the region in the second half of 2014.

Following Tullow's successful listing on the Ghana Stock Exchange in July 2011, the second Ghana Investor Forum took place in May 2013. Tullow's CEO and Company Secretary attended alongside Senior Managers from the Ghana Business Unit all of whom presented and took questions and answers from key institutional shareholders in Accra. With over 9,000 Ghanaian shareholders, the Group recognises the importance of continued shareholder engagement and Tullow's Head of Investor Relations also gave a "Facts Behind the Figures" presentation to investors and brokers at the Ghana Stock Exchange in October.

The Group issues its results and other news releases via 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.tullowoil.com. The Group also provides updates and the status of exploration and development programmes on the website and via social media service Twitter: www.twitter.com/TullowOilplc. Shareholders and other interested parties can subscribe to receive these news updates by email through registering online on the website. The Group continually seeks to enhance its online communications with its stakeholders and improved functionality is regularly implemented across the corporate site. A new website is planned to be launched by the end of 2014. The number of visitors to the corporate website remained stable in 2013, with over 425,000 unique website visits and over 2.7 million page views.

425,000 UNIQUE VISITS IN 2013

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

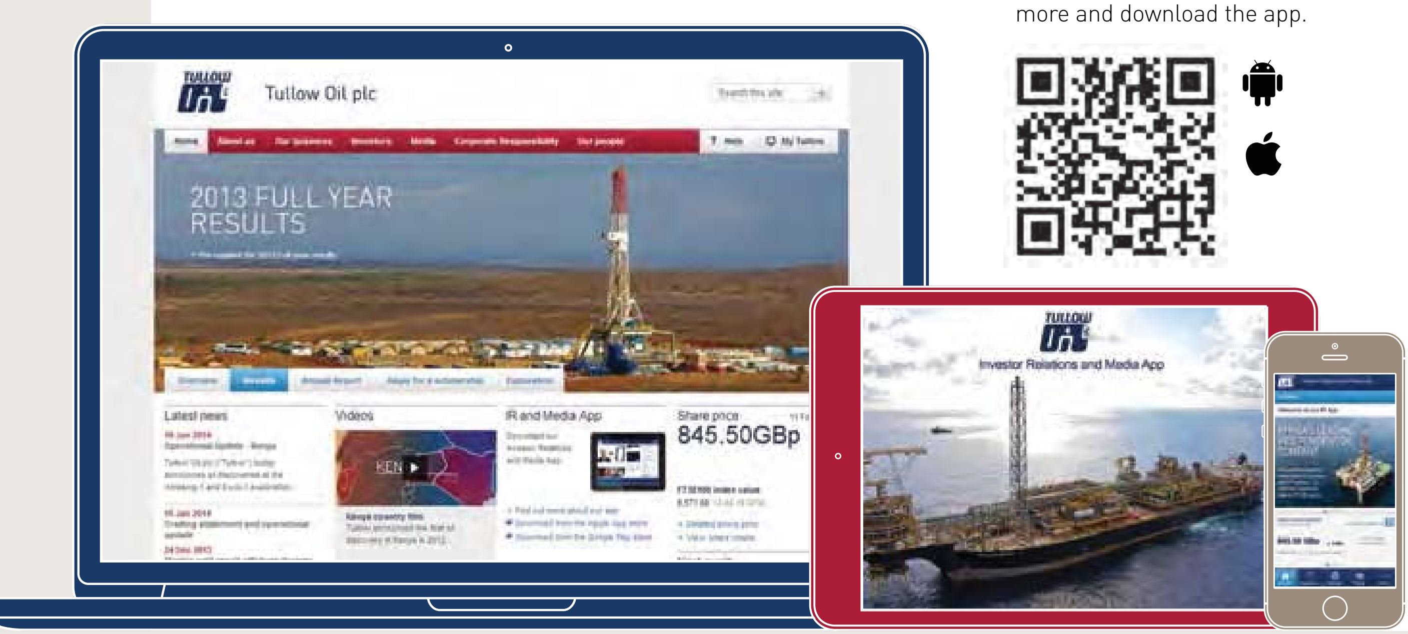
2013 Annual Report and Accounts **www.tullowoil.com/ara2013**

Reporting Centre **www.tullowoil.com/reports**

IR APP

In 2013, Tullow launched an Investor Relations and Media app for tablets and smart phones to enable easy access to a suite of investor materials.

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



The Group gained a considerable number of followers on its corporate Twitter (c.10,000), Facebook (c.6,000), YouTube (c.40,000 views) and LinkedIn accounts (c.34,000). Early in 2013, the Group launched an Investor Relations and Media App that can be downloaded to tablet and smartphone devices to enable a wider audience to view results announcements, presentations, videos, webcasts and images on the move. The App received recognition in 2013 when it won "Best Innovation for mobile" at the Corporate & Financial Awards.

Tullow began planning for a Capital Markets Day during 2013 and a date in June 2014 has been set to host the event in London. Analysts and investors will be invited to the event, with those unable to attend in person being given access to all the materials via the website and App.

The Chairman met a number of shareholders during the year and is available to meet institutional shareholders to discuss any issues and concerns in relation to the Group's governance and strategy. Non-executive Directors also have the opportunity to attend meetings with major shareholders and are available to attend if requested to do so. The Investor Relations team provides regular market summaries to the Board following major operational announcements and via the monthly Board Report which includes shareholder analysis, shareholder feedback and performance versus peers.

Tullow offered meetings to Socially Responsible Investors (SRI) in London, Edinburgh, Paris and Switzerland in the fourth quarter of 2013. Roadshow dates have already been scheduled for the first half of 2014 to discuss topics including health and safety, the environment, corporate governance, bribery and corruption issues, country and political risk and operational matters. The 2012 Corporate Responsibility Report was issued in June 2013 and was also made available in full HTML format on the corporate website. The report had enhanced our disclosure with new content, including transparency on payments to governments. Tullow also published its first country report in Uganda to demonstrate the commitment the Group has made during the decade that it has been present in the country.

In October 2013, Tullow issued its first Corporate Bond. After roadshowing in the UK and the US, the Group priced its offering of $650 million of 6% senior notes due in 2020. Tullow will continue to engage with its new bond investors through a number of High Yield conferences throughout the year.

"OVER THE YEAR, THE INVESTOR RELATIONS TEAM & SENIOR MANAGEMENT MET OVER 350 INSTITUTIONS & THE GROUP PARTICIPATED IN 13 INVESTOR CONFERENCES GLOBALLY."

KEY SHAREHOLDER ENGAGEMENTS 2014

JANUARY
Full-year trading statement

FEBRUARY
Full-year results

MARCH
Annual Report and Accounts

APRIL
Annual General Meeting
Interim Management Statement

MAY
Shareholder meetings in Dublin and Ghana

JUNE
Capital Markets day

JULY
Half-year trading statement
Half-year results

NOVEMBER
Interim Management Statement

Re-election
All Directors seek re-election on an annual basis and accordingly all Directors will stand for re-election in 2014, other than David Bamford who is retiring from the Board at the conclusion of the AGM. The Board has set out in the Notice of Annual General Meeting its reasons for supporting the re-election of each of the Directors at the forthcoming AGM.

Accountability
The Board is committed to providing shareholders with a clear assessment of the Group's position and prospects. This is achieved through this report and as required in other periodic financial and trading statements.

The arrangements established by the Board for the application of risk management and internal control principles are detailed below. The Board has delegated to the Audit Committee oversight of the relationship with the Group's external auditors as outlined in the Audit Committee report on page 89.

Going concern
The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities are 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 potentially to 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 2013 Annual Report and Accounts.

Internal controls
The Directors acknowledge their responsibility for the Group's and the Company'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. 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. 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 to the Remuneration Committee responsibility for agreeing the remuneration policy for the Chairman, Chief Executive Officer, Executive Directors and senior executives. The Directors' Remuneration Report on pages 98 to 115 contains full details of the role and activities of the Remuneration Committee.

Constructive use of the AGM
The AGM held on 8 May 2013 provided individual shareholders with the opportunity to receive a business presentation and to put questions to the Chairman, the Chairmen of the Audit, Nominations and Remuneration Committees and other members of the Board. Tullow continues to hold a significant shareholder base in Ireland and held a business presentation in Dublin on 16 May 2013 following the AGM to maintain strong links with this group of investors.

A poll was used to vote for all resolutions at the 2013 AGM, with the final results (which included all votes cast for, against and those withheld) announced via the London Stock Exchange and on the Company's corporate website as soon as practicable after the meeting. Notice of the AGM is sent to shareholders at least 20 working days before the meeting.

On behalf of the Board

S.R. Thompson

Simon R Thompson
Chairman

11 February 2014

DEAR SHAREHOLDER

Effective governance is a key feature of the way Tullow manages its business and risks. The Board Audit Committee has a vital role in advising the Board that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee provides assurance that the financial statements provide a true and fair view of the Group's financial affairs and that our internal business controls remain effective and protect the interests of shareholders.

During the year the Committee reviewed requirements included in the revised Corporate Governance Code issued in 2012, specifically in relation to Financial Reporting and Audit Committee requirements and implemented changes to ensure compliance with the revised Code.

Steve Lucas
Chairman of the Audit Committee

11 February 2014

Governance

Steve Lucas was appointed Audit Committee Chairman in 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 and Jeremy Wilson, who joined the Committee in 2013, and brings extensive strategic and corporate finance experience. Biographies of the Committee members are given on page 47. 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 2013. The Chairman of the Board also attends meetings of the Committee by invitation and was present at all of the meetings in 2013. The external auditors have unrestricted access to the Committee Chairman.

In 2013, the Audit Committee met on four 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 changes made in September 2012 to the UK Governance Code and the FRC's 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 in 2013.

Summary responsibilities

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

- Monitor the integrity of the financial statements of the Group, reviewing and reporting to the Board on significant financial reporting issues and judgements;
- Review and challenge, where necessary, the consistency of significant accounting policies, and whether appropriate accounting standards have been used;
- Review the content of the Annual Report and Accounts and advise 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;
- Review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- Review 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;

2013 AUDIT COMMITTEE HIGHLIGHTS

- Approval of half-year and full-year financial statement
- Review of the effectiveness of the external audit process
- Review of the work of the independent reserves auditor's work
- Assessment of the remit and results of internal audit
- Oversight of key risks associated with major IT systems projects
- Review of the insurance arrangements of the Group

Audit Committee membership

Committee member	Meetings attended (out of a total possible)
Steve Lucas	4/4
Tutu Agyare	4/4
Anne Drinkwater	4/4
Ann Grant	4/4
Jeremy Wilson*	1/1

* Appointed to the Committee on joining the Board on 21 October 2103

- Review and assess the annual internal audit plan and receive a report on the results of the internal audit function's work on a periodic basis;
- Oversee the relationship with the external auditor including assessing their independence and objectivity and review the annual audit plan to ensure it is consistent with the scope of the audit engagement, and review of the findings of the audit;
- Assess the qualifications, expertise and resources of the auditor and the effectiveness of the audit process; and
- Ensure that at least once every ten years the audit services contract is put out to tender.

Key areas reviewed in 2013

The Committee fully discharged its responsibilities during the year.

Following publication of the revised version of the UK Corporate Governance Code, which applies to financial years commencing on or after 1 October 2012, the Board requested that the Committee advise them on whether it believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

A key element of the governance requirements of a group's financial statements is for the 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 Auditor.

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.

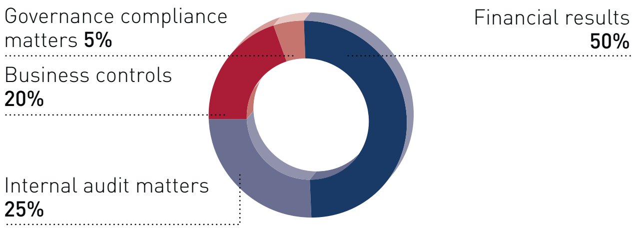
The following describes the work completed to discharge the Audit Committee's main responsibilities:

Financial reporting

Monitoring the integrity of the financial statements and formal announcements relating to the Group's financial performance. Reviewing 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 2013 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 2013 accounts and how these were addressed are detailed below:

Allocation of Audit Committee time



Significant financial judgements for 2013	How the Committee addressed these judgements
Intangible assets 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. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement. The key areas in which management have 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.	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.
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.	Following the farm-down of Ugandan assets in 2012 the Uganda Revenue Authority assessed Capital Gains Tax on the transaction. Judgements over the level of provision and the outcome of legal proceedings underpin management assumptions (page 41). The Committee satisfied itself that 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 an area of judgement specific to 2013.
Recoverability of contingent consideration The Group has 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 to the timing of the receipt of certain project approvals.	Management provided written support of the judgement and a copy of the MoU between the Government of Uganda (GoU) and partners for a basin-wide development including a crude oil export pipeline and refinery. The agreement was signed by the GoU and partners in February 2014. The Committee reviewed and challenged these judgements and supporting evidence and Deloitte LLP have also challenged the underlying assumptions as part of their audit, (see page 123). This is an area of judgement specific to 2013.
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.	The estimated decommissioning costs are reviewed annually and are estimated by reference to operators, where applicable and appropriate, internal engineers and independent specialists. A review of certain decommissioning cost estimates was undertaken by an independent specialist at the start of 2013 which has been assessed and updated internally for the purposes of the 2013 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 resulting from this study was reviewed and challenged by the Committee. Deloitte LLP also reviewed the results of the independent review as part of their audit. This is a recurring area of judgement.
Value in use of property, plant and equipment 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 on 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 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.	Results of the impairment tests were discussed and challenged by the Committee and Deloitte 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.

External auditor

Making recommendations to the Board on the appointment or re-appointment of the Group's external auditor and overseeing the Board's relationship with the external auditor and, where appropriate, the selection of new external auditor, 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 auditor. 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 auditor at the 2014 AGM;
- The external auditor is required to rotate the audit partner responsible for the Group audit every five years. 2013 is the second year of the current lead audit partner's tenure. The audit contract was last tendered in 2004 and no contractual obligations existed that acted to restrict the Audit Committee's choice of external auditor. Tullow notes the Competition Commission's review of the statutory audit tendering requirements, and also recognises the proposed European Union test on Audit Regulation and Directive, and the current requirements of the Corporate Governance Code and transitional guidance in relation to audit tendering. In light of these ongoing discussions, the Audit Committee has agreed to recommend to the Board that we follow the current transitional guidance of the Code. The Audit Committee will reconsider the timing of audit tendering once the wider regulatory situation is confirmed;
- The Group's external auditor is Deloitte LLP and the Audit Committee assessed the qualification, expertise and resources, and independence of the external auditor 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 2013 the Committee held a private meeting with the external auditor and the Audit Committee Chairman also maintained regular contact with the audit partner throughout the year. These meetings provide an opportunity for open dialogue with the external auditor 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 have been placed on them by management, maintaining the independence of the audit and how they have exercised professional challenge. In addition the Board Chairman also meets the external auditor after the annual audit to discuss the effectiveness of the Audit Committee and any other issues;
- In order to ensure the effectiveness of the external audit process, Deloitte 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 2013 audit the key audit risks identified included carrying values of intangible assets, tax judgements, decommissioning provision estimates, and recoverability of other non-current assets. 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 an assessment from management of the effectiveness of the audit process;
- In addition a questionnaire addressed to all attendees of the Audit Committee is used to assess Audit Committee effectiveness. This questionnaire was expanded to include additional questions on the effectiveness of the External Audit process leading to all members of the Committee providing detailed feedback;
- 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 auditor to supply non-audit services is in place to formalise these arrangements, which requires Audit Committee approval for certain categories of work. This policy is in line with updated Audit Practice Board Ethical Standards and FRC Guidance to Audit Committees, and is available on the corporate website. The policy is designed to ensure the external auditor's independence is maintained; and
- A breakdown 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 is 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 given and no matters of concern were identified by the Committee.

Internal controls and risk management
Reviewing 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 auditor's 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's ERCE and reviewed the arrangements in place for managing Information Technology risk relating to the Group's critical information systems; and
- The Committee also reviewed the Group's global insurance arrangements.

Internal audit requirements
Considering 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. His main responsibilities include: evaluating the development of the Group's overall control environment; operating efficiency and risk identification and management at operating, regional and corporate levels. During 2013, 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 2013 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 main business units in London and Dublin and the main operational locations in Ghana, Uganda, Kenya, Ethiopia and Mauritania. 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 2013. 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 versus plan, the results of audits reported at each of the meetings, and through the use of a questionnaire completed by financial and operational managers and by the Audit Committee, covering aspects of audit delivery during 2013. Results of the questionnaire were reviewed by the Committee and actions to further improve internal audit effectiveness are being implemented.

Whistle-blowing procedure
Ensuring that an effective whistle-blowing procedure is in place.

- In line with best practice and to ensure Tullow works to the highest ethical standards, an independent whistle-blowing procedure has been in operation during the year to allow staff to confidentially raise any concerns about business practices. This procedure complements the established internal reporting process. The whistle-blowing policy is included in the revised 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.

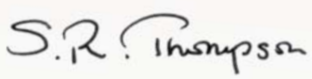
Review of effectiveness of the Audit Committee
- During the year, the Audit Committee completed a review of the effectiveness of external audit, Internal Audit and of the Audit Committee itself through a series of questionnaires. Internal Audit coordinated the review. The Committee was considered to be operating effectively and in accordance with the guidance recommended by the Smith Committee included in the UK Corporate Governance Code.

DEAR SHAREHOLDER

The Board of Tullow consists of five Executive and seven non-executive Directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience. Biographies of all the members of the Board can be found on pages 46 to 47 of this report.

The main task of the Nominations Committee is to ensure that the balance of skills and expertise provided by the Board remains appropriate to meet the current and future needs of the Company. We also supervise the recruitment and development of senior executives to ensure that we are building a diverse management pipeline capable of stepping up to fill the most senior positions in the Company in the coming years.

In October 2013, we were pleased to welcome Jeremy Wilson, who joined the Board as a non-executive Director. Jeremy fulfils the requirement identified by the Nominations Committee for a director with extensive international corporate and project finance experience, specifically in relation to the oil and gas sector. His appointment augments the Board's oversight of our portfolio management and major project financing activities. We are also well advanced in identifying a successor to David Bamford, who retires at the forthcoming AGM, and who, for the past nine years has provided invaluable advice and guidance, particularly in relation to exploration matters.



Simon Thompson
Chairman of the Nominations Committee

11 February 2014

Committee's role

The Committee reviews the composition and balance of the Board and Senior Executive team on a regular basis to ensure that Tullow has the right structure, skills and diversity of experience in place for the effective management of the Group's expanding business. This analysis is reviewed and discussed with the Board, with the aim of scheduling a progressive refreshment of the Board over time. It is the Committee's policy when conducting a search for a new Executive or a non-executive Director to appoint external search consultants to provide the Committee with a list of possible candidates against an agreed role and experience specification from which a shortlist is produced.

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

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;
- Succession planning for Directors and other Senior Executives;
- Identifying and nominating, for Board approval, candidates to fill Board vacancies as and when they arise;
- 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 Chairman 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 2013 are shown in the table on page 95.

In addition to the formal meetings held, Committee members conducted a number of interviews, informal discussions and telephone conversations on various issues falling within its remit.

Committee activities

The principal activities of the Committee during 2013 and subsequent to the year end were:

- Board refreshment – as noted in last year's report the Committee had commenced a search for a new non-executive Director to replace Steve McTiernan who retired as a non-executive director on 31 December 2012. Spencer Stuart (who do not have any other connection with the Company) had been appointed to draw up a list of candidates against an agreed specification. Subsequently, on 18 September 2013, the Board approved a recommendation by the Committee that Jeremy Wilson be appointed as a non-executive Director with effect from 21 October 2013. He was selected from a shortlist of candidates and his appointment was recommended following an interview selection process and feedback from all Board members. Jeremy Wilson's biography is set out on page 47;

As announced on 11 December 2013, David Bamford will be retiring from the Board at the conclusion of the AGM on 30 April 2014, having served on the Board for more than nine years. A search is currently underway for a new non-executive Director with an oil exploration background to replace David Bamford. Curzon Partners (who do not have any other connection with the Company) are assisting with the search to identify suitable external candidates. An appointment is expected to be confirmed in the coming months. The Board has approved the Committee's recommendations that, as from 30 April 2014, Ann Grant should assume the role currently held by David Bamford of Senior Independent Director and that Jeremy Wilson should be appointed as Chairman of the Remuneration Committee;

- 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 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 48, but recognise that we are unlikely to achieve our aspiration of 25% female representation by 2015. Currently, 12% of our Senior Management team are women;
- Senior Management succession planning – The Committee and the Board have been closely involved with Executive Directors in reviewing the senior management talent pool within Tullow. The aim is to ensure that all candidates, and particularly those who would increase the diversity of the senior management pool, have personal development plans designed to provide them with the knowledge and skills required to progress within the Group;
- Membership of Board Committees – The Nominations Committee is responsible for nominating appropriate individuals for membership of Board Committees to ensure that they comprise individuals with the necessary skills, knowledge and experience. During the year, on the Committee's recommendation, the Board approved the appointment of Jeremy Wilson as a member of the Audit Committee and of the Remuneration Committee on his appointment to the Board; and

2013 NOMINATIONS COMMITTEE HIGHLIGHTS

- The Board was refreshed in 2013 following the appointment of Jeremy Wilson. A search to identify a suitable replacement for David Bamford, who retires from the Board on 30 April 2014, was initiated and a shortlist of candidates agreed;
- Good progress has been made in regard to succession planning in 2013 and the Committee worked closely with the Executive Directors to review the Senior Management talent pool and ensure appropriate development plans are in place; and
- At the request of the Committee, the Human Resources Department organised an event for senior female managers in the Company, including Board members, to identify and propose measures to address potential obstacles to achieving greater gender diversity in Senior Management.

Nominations Committee membership

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

1. In addition to the scheduled meetings, two ad hoc meetings were held during the year in connection with the appointment of Jeremy Wilson. A further ad hoc meeting was held at which the Committee recommended to the Board that the term of office of Tutu Agyare be extended for a further three-year term until 24 August 2016 and that the term of office for David Bamford be extended until 30 April 2014.
2. Following Tutu Agyare's appointment to the Committee on 1 January 2013, there have been no other changes in the composition of the Committee during the year.

- Committee evaluation – The performance of the Committee was evaluated as part of the annual Board evaluation exercise. It was found to be operating effectively.

DEAR SHAREHOLDER

Effectively managing risks is one of the Board's enduring objectives, and EHS risk deserves a particular focus. In response to the expanded scope and scale of Tullow's operations, the Board EHS Committee was established in 2013 to achieve this focus by monitoring personal and process safety, security, health and the environment.

In addition to reviewing the Company's EHS policies and systems, during its first year the Committee fulfilled its mandate by considering a range of leading and lagging indicators, and reviewing incidents with high potential or with a high frequency. The Committee also placed a focus on ensuring Tullow is a learning organisation.

Objectives for 2014 will include continuing the progress made on process safety and assuring that improvements made in the EHS arena are sustainable across Tullow's operations.

Anne Drinkwater
Chairman of the EHS Committee

11 February 2014

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 line with Tullow's growing presence in different operating environments. The Committee reviews a wide range of EHS indicators to provide insight into front line delivery of EHS policies and practices, e.g. EHS elements of Tullow's confidential whistle blowing line "Safe Call", high potential incidents, especially where a high frequency is in one area, audit outcomes and investigation outcomes.

Committee's main responsibilities

The main duties are:

- Reviewing and providing advice regarding the environmental, health, and safety policies of the Company;
- Monitoring the performance of the Company in the progressive implementation of its environmental, health, security and safety policies, including process safety management;
- Receiving and providing feedback on reports covering matters relating to material environmental, health and safety risks; and
- Considering material regulatory and technical developments in the fields of environmental, health and safety 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 Chairman 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 included Stuart Wheaton, Head of Development and Operations, Stephen Rees, Group Compliance Manager and Mike Williams, Group Well Engineering Manager.

Committee activities during 2013

- In the first meeting, the newly formed Committee started with a comprehensive review of how EHS and Security is managed, evaluated and implemented from its vision through to its policies, standards and procedures at the Group and local level. The review showed there is a good structure in place which is being evolved in response to changing operations and internal and industry learning;

- The Committee undertook a review of the 14 key risks that have informed the EHS KPIs and found a high level of alignment between risks and KPIs. The review also highlighted that while EHS risk management processes are in place, an area of improvement is to make these processes more consistent;
- Performance against EHS KPIs was tracked at each meeting, with actions assigned to ensure continual progress;
- The Committee focused on specific high potential or high frequency incidents to draw out key learnings and how these are being implemented. These included:
  - Trends across incidents that indicate systemic issues, such as a number of personal safety incidents that led to enhanced contractor management, and a programme to improve drill site supervision;
  - Incidents that indicate a new or emerging risk area; these included road traffic accidents and risks to fixed installations from third-party vessels; and
  - Very relevant incidents from industry;
- A review of EHS-related issues reported to Tullow's confidential whistle-blowing line 'Safe Call' and the follow up procedures from these calls. While the follow-up to calls was deemed very good, awareness of this service as an EHS whistle-blowing tool is considered low. An action was agreed to use a manager presentation on the EHS aspects of Safe Call to educate teams of this usage;
- Andrew Hopkins, Professor of Sociology at the Australian National University, gave several presentations in Tullow focusing on process safety such as preventing fires, explosions and accidental releases in oil and gas installations. The Board reviewed the feedback from these presentations which emphasised the need to nurture the Tullow EHS culture and ensure the upward flow of bad news as the Company grows. An action was to plan Executive led roadshows to engage with employees on Tullow culture, values and communicating bad news. Further process safety reviews focused on well management and industry insights; and
- Assurance – The Committee carried out a review aimed at enhancing Board assurance that Tullow's EHS policy, systems, processes and culture are working effectively. The framework for the review included the UK Health and Safety Executive (HSE) publication "Leading Health and Safety at Work", which effectively acts as a checklist for directors, board members and business owners. Overall the Committee found the level of Board assurance is adequate, but in 2014 this will be enhanced by improved oversight of the audit plan and outcomes versus key risks. Assurance will also be enhanced by including an EHS Committee member in a leadership site review or audit.

2013 EHS COMMITTEE HIGHLIGHTS

- Comprehensive review of EHS vision, policy and systems that showed a good structure is in place which is being evolved in line with the business;
- Assessment of the 2013 EHS KPIs and their alignment to key EHS risks. While in 2013 risks were well aligned, the 2014 KPIs will cover the whole EHS spectrum;
- Focus on process safety;
- Identification of the need to nurture the Tullow EHS culture as the Company grows;
- Review learnings from incidents to identify trends that indicate systemic issues, incidents that indicate a new or emerging risk area, relevant incidents from industry and whistle blowing calls; and
- Review how the Board gets assurance that Tullow's EHS policy, systems, processes and culture are working effectively and plan steps to enhance this.

EHS Committee membership

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

Looking forward to 2014

- The Committee plans to continue to support the Executive in reviewing the proposed EHS KPIs to ensure that they cover the entire EHS spectrum, including more leading indicators, and monitoring and reporting progress throughout the year;
- Continued emphasis on process safety based on the reviews in 2013, including process safety training for Board members;
- Members of the EHS Committee plan to participate in a planned leadership operational site review or audit to give Board members the opportunity to see activity on the ground; and
- As part of ensuring Tullow is a learning organisation, the Committee will take steps to implement an appropriate EHS audit programme and confirm that actions are fulfilled.

REMUNERATION REPORT SUMMARY

Contents

Remuneration principles

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

2013 remuneration highlights

The Company consulted major shareholders last year in connection with the adoption of the Tullow Incentive Plan (TIP) which sought to simplify remuneration arrangements and link Executive Director pay to the Company's strategic objectives and the delivery of long-term sustainable returns to shareholders.
In summary:

- The TIP is based on pre-grant rather than pre-vesting performance conditions. Rather than being granted a set number of shares which vest over time subject to continued service and performance conditions, pre-grant service and performance conditions determine the level of awards individuals will receive;
- Performance targets determining TIP awards to be granted in 2014 use performance measures over the 2013 financial year based on a balanced scorecard of measures based on operational (production), exploration (finding costs), EHS, strategic and relative TSR performance;
- The TSR targets are based on a median to upper quintile vesting schedule, with 25% vesting at median increasing to 100% vesting at upper quintile, as measured against a bespoke group of oil and gas exploration and production companies;
- There will be an increase in the share vesting deferral period from three years to five years; and
- There is an increase to shareholding guidelines from 400% to 600% of salary.

Single figure total remuneration for Executive Directors

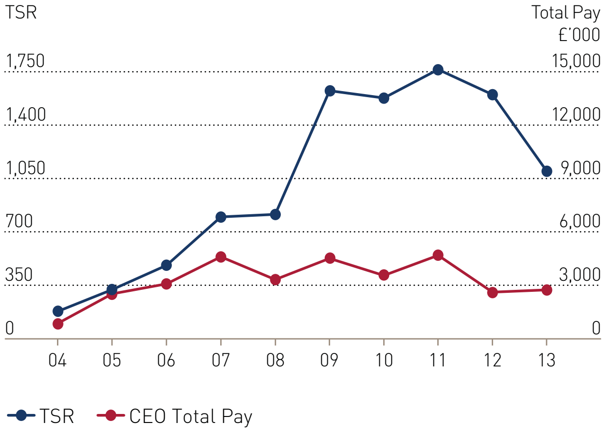
The single figure total remuneration for Executive Directors is set out below. Full details of the component parts are on page 107.

Executive Director	'Single figure' 2013 total remuneration £
Aidan Heavey	2,750,273
Graham Martin	1,534,084
Angus McCoss	1,533,035
Paul McDade	1,531,648
Ian Springett	1,628,306

Remuneration compared to shareholder return

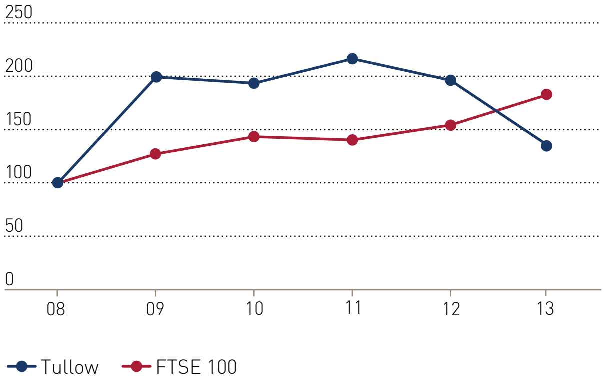
The Remuneration Committee ensures that Tullow's remuneration policy is aligned to Tullow's performance and, therefore, the interests of shareholders. This chart presents the Chief Executive Officer's total remuneration, compared to Tullow's TSR over the last 10 years.

CEO – Total pay versus TSR



The chart below shows Tullow's TSR versus the FTSE 100 Index over the five-year period to 31 December 2013. The FTSE 100 has been chosen as it is the index the Company has been a constituent of for the five-year period.

Total shareholder return



Remuneration policy for 2014

The Committee is not planning to make changes to the operation of the TIP for 2014. Further, it has been agreed that it would not be appropriate for Executive Directors to receive any increase in base salary levels for 2014.

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Remuneration Committee's report for 2013 on Directors' remuneration.

This report will be subject to two shareholder votes at the forthcoming AGM:

- The Directors' Remuneration Policy Report sets out the forward looking Directors' remuneration policy for the Company which will operate from 1 January 2014 and will, subject to shareholder approval, become formally effective from the 2014 AGM; and
- The Annual Report on Remuneration provides details of the remuneration earned by Directors in the year ended 31 December 2013.

"THE PERFORMANCE TARGETS SET FOR 2013 IN RESPECT OF THE TIP AWARDS GRANTED IN 2014 WERE CHALLENGING WITH A DELIVERY OF 30%."

Summary of major decisions made in 2013

As described in last year's remuneration report, the Committee introduced a radical overhaul of pay for Executive Directors and Senior Managers for 2013. The two primary objectives were to: (i) provide a competitive but not excessive package, strongly linked to performance, to act as an effective incentive to achieve the strategic objectives agreed by the Board and align the interests of management and investors; and (ii) simplify the remuneration package.

The annual bonus, Deferred Share Bonus Plan and Performance Share Plan (PSP) were therefore replaced by the Tullow Incentive Plan (TIP), which was approved by shareholders at the 2013 AGM. Under the TIP, a maximum award of 600% of base salary is payable subject to the achievement of a balanced scorecard of stretching financial, operational and total shareholder return (TSR)-related objectives, explicitly linked to the achievement of Tullow's long-term strategy. Up to a maximum of 100% of base salary is payable in cash after the relevant financial year with the balance payable in Tullow shares, normally deferred for five years and subject to clawback.

Performance and reward for 2013

At the start of 2013, base salaries were increased by 3.5%, which was consistent with the inflationary adjustment awarded to all UK-based employees. The performance targets set for 2013 in respect of the TIP awards granted in 2014 were challenging, with a delivery of 30%, which results in a cash payout of 90% of salary and a further 90% of salary payable in shares, which will be deferred 50% over three years and 50% over four years.

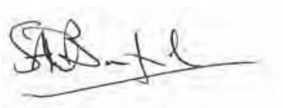
The 2011 PSP Awards, where vesting in 2014 was based on performance over the three years ended 31 December 2013 have not vested as a result of Tullow's relative TSR over the performance period. The 2010 PSP awards partially vested in 2013 over 23.2% of total awards.

Executive Director Remuneration Policy for 2014

- Fixed pay will remain unchanged from 2013 levels; and
- For 2014, the TIP will be operated on a similar basis to 2013, based on a balanced scorecard of financial and operational and TSR-related targets. Consistent with the transitional arrangements explained in the Remuneration Policy Report (and explained in detail in last year's Remuneration Report), Deferred shares granted under the TIP in 2015 in relation to the performance period ending 31 December 2014 will vest 50% after four years from grant (i.e. 2019) and 50% after five years from grant (i.e 2020), and the 50% of TIP Awards based on relative TSR performance will be measured over a two-year performance period ending 31 December 2014.

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 will be sought at the 2014 AGM will remain in operation for the forthcoming three years.

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@tullowoil.com.



David Bamford
Chairman of the Remuneration Committee
11 February 2014

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

This part of the remuneration report sets out the remuneration policy for the Company which will operate from 1 January 2014 and become formally effective following approval from shareholders through a binding vote at the 2014 AGM. Although not technically part of the Remuneration Policy Report, this section also explains how the remuneration policy will be operated during 2014.

Policy overview

The Remuneration Committee's remuneration principles 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 of Human Resources.

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 30% of salary;
- Pension provision of a payment of 10% of salary into our Company defined contribution plan; and
- Participation in the TIP is limited to the Executive Directors and selected senior management. Other employees are eligible to participate in the Company's below Board share-based plans.

In general, these differences arise from the development of remuneration arrangements that are market-competitive for the various categories of individuals. They also reflect the fact that, in the case of the Executive Directors and senior management, a greater emphasis tends to be placed on performance-related pay.

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 2014.

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, reflect 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.

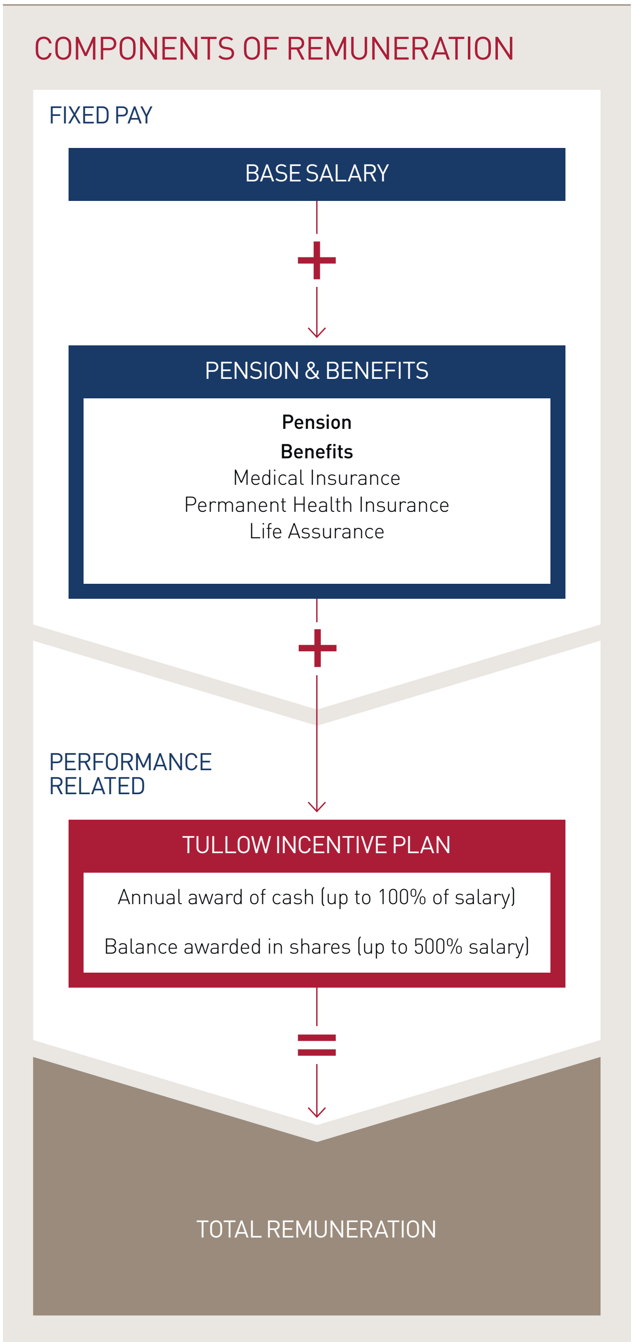
As a result of the switch from: (i) a three-year PSP vesting period to a five-year TIP vesting period, and (ii) pre-vesting performance conditions to pre-grant performance conditions, the following transitional arrangements will apply in the early years of the TIP's operation:

- To cover the gap between 2016 (when the 2013 PSP awards 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 and the 2015 and 2016 TIP Awards will be measured over 2013-14 and 2014-15 financial years respectively (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 is 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.



Glossary

AGM	Annual General Meeting
BIS	Department for Business, Innovation & Skills
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

Summary Directors' remuneration policy

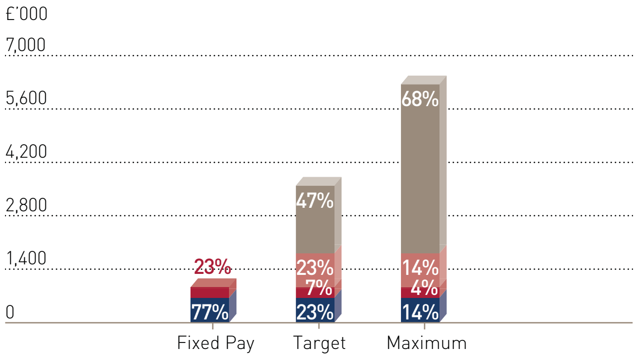
	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To provide an appropriate level of fixed cash income to attract and retain individuals with the personal attributes, skills and experience required to deliver our strategy.	Generally reviewed annually with increases normally effective from 1 January. Base salaries will be set by the Committee taking into account the: • 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 2014 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 Share Incentive Plan.	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.
Tullow Incentive Plan (TIP)	To provide a simple, competitive, performance-linked incentive plan that: • 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).	N/A
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 2014 (Not part of the Policy Report)
None	Current Executive Director base salaries: 2014 Aidan Heavey £886,074 Graham Martin £501,106 Angus McCoss £501,106 Paul McDade £501,106 Ian Springett £532,073 No change from 2013
None	No change
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. 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). Targets will normally be based on a sliding scale from 20% at threshold performance to 100% at maximum. The Committee reserves the right to exercise discretion in the event of unforeseen positive or negative developments during the course of the year. The Committee retains discretion to apply clawback 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.	The balanced score card in 2014 will consist of: • 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 SSEA targets; • 10% based on Operational targets; • 10% based on Exploration targets; and • 20% based on specific strategic objectives.* Targets will be stretching. Details of actual performance against threshold and maximum will be given retrospectively in the 2014 Annual Report. * Details of the 2014 strategic objectives are on page 108 of the Annual Report of Remuneration.
N/A	No change
None	Current non-executive Director fees: 2014 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 No changes for 2013 apart from EHS Committee Chair which increased from £10,000

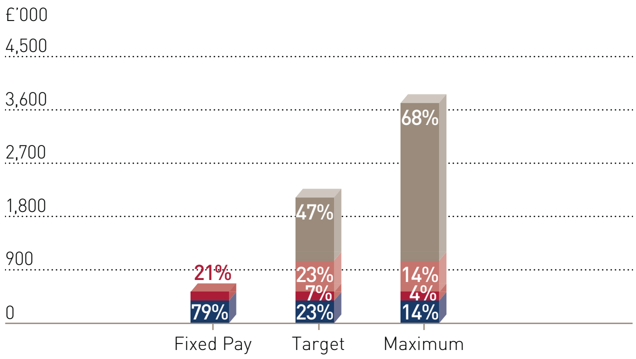
Remuneration scenarios for Executive Directors

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:

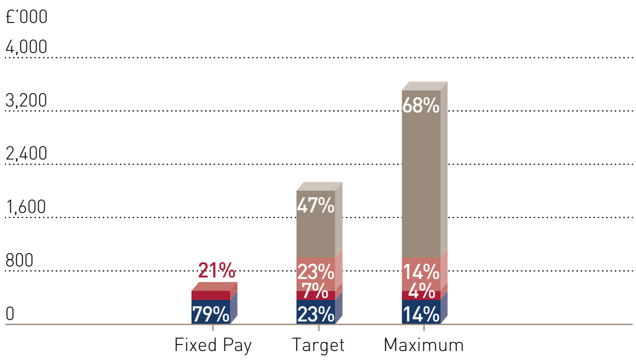
Chief Executive Officer



Chief Financial Officer



Other Directors



● Salary ● Pension/Benefits ● TIP (cash) ● TIP (deferred shares)

Notes

1. Base salaries are those effective 1 January 2014.
2. Pensions are based on 25% of salary and the value of benefits receivable is taken to be the value of benefits received in 2013, presented in the Directors' Remuneration table on page 107.
3. The target TIP award is taken to be 50% of the maximum annual opportunity (300% of salary for all Executive Directors).
4. The maximum value of the TIP is taken to be 600% of salary (i.e. the maximum annual opportunity).
5. No share price appreciation has been assumed.

Service agreements

Each Executive Director has 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 600% 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.

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.

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 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	2	16.12.11	31.12.14
Tutu Agyare	2010	3	24.08.10	24.08.16
David Bamford	2004	9	30.06.10	30.04.14
Anne Drinkwater	2012	1	24.07.12	24.07.15
Ann Grant	2008	5	10.02.14	30.04.17
Steve Lucas	2012	1	13.03.12	13.03.15
Jeremy Wilson	2013	0	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 2013 (including payment and awards in respect of incentive arrangements) and how shareholders voted at the 2013 AGM. This part of the report also includes a summary of how the policy will be operated for 2014 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
David Bamford (Chair)	4/4
Tutu Agyare	4/4
Anne Drinkwater	4/4
Steve Lucas	4/4
Simon Thompson	4/4
Jeremy Wilson*	1/1

* Appointed to the Committee on joining the Board on 21 October 2013

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 six non-executive Directors. David Bamford served as Chairman of the Committee throughout the year. On David Bamford's retirement from the Board on 30 April 2014, Jeremy Wilson will become Chairman of the Committee. The membership and attendance of members at Committee meetings held in 2013 are shown in the adjoining table.

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; and
- New Bridge Street (part of Aon plc) which continued to advise the Committee during 2013. 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 2013 totalled £74,381 in respect of advice provided to the Remuneration Committee and £136,795 in respect of the design, implementation and operation of the Company's share plans, primarily the Tullow Incentive Plan and Tullow Employee Share Plan.

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 2013 payable by Group companies was as follows:

		Fixed Pay			Tullow Incentive Plan		Legacy Incentives		
		Salary /fees[2] £	Pensions £	Taxable Benefits[3] £	TIP Cash £	Deferred TIP Shares[4] £	Annual Bonus[5]	Share Awards[6] £	Total £
Executive Directors									
Aidan Heavey	**2013**	**886,080**	**221,520**	**47,729**	**797,472**	**797,472**	**–**	**0**	**2,750,273**
	2012	856,110	214,028	45,833	–	–	1,198,554	308,591	2,623,116
Graham Martin	**2013**	**501,110**	**125,278**	**5,698**	**450,999**	**450,999**	**–**	**0**	**1,534,084**
	2012	484,160	121,040	5,293	–	–	677,824	174,519	1,462,836
Angus McCoss	**2013**	**501,110**	**125,278**	**4,649**	**450,999**	**450,999**	**–**	**0**	**1,533,035**
	2012	484,160	121,040	4,097	–	–	677,824	174,519	1,461,640
Paul McDade	**2013**	**501,110**	**125,278**	**3,262**	**450,999**	**450,999**	**–**	**0**	**1,531,648**
	2012	484,160	121,040	3,073	–	–	677,824	174,519	1,460,616
Ian Springett	**2013**	**532,080**	**133,020**	**5,462**	**478,872**	**478,872**	**–**	**0**	**1,628,306**
	2012	514,080	128,520	5,293	–	–	719,712	185,304	1,552,909
Subtotal	**2013**	**2,921,490**	**730,374**	**66,800**	**2,629,341**	**2,629,341**	**–**	**0**	**8,977,346**
	2012	2,822,670	705,668	63,589	–	–	3,951,738	1,017,452	8,561,117
Non-executive Directors									
Tutu Agyare	**2013**	**69,500**	**–**	**–**	**–**	**–**	**–**	**–**	**69,500**
	2012	67,000	–	–	–	–	–	–	67,000
David Bamford	**2013**	**104,500**	**–**	**–**	**–**	**–**	**–**	**–**	**104,500**
	2012	82,000	–	–	–	–	–	–	82,000
Anne Drinkwater	**2013**	**79,500**	**–**	**–**	**–**	**–**	**–**	**–**	**79,500**
	2012	29,205	–	–	–	–	–	–	29,205
Ann Grant	**2013**	**69,500**	**–**	**–**	**–**	**–**	**–**	**–**	**69,500**
	2012	67,000	–	–	–	–	–	–	67,000
Steve Lucas	**2013**	**89,500**	**–**	**–**	**–**	**–**	**–**	**–**	**89,500**
	2012	65,250	–	–	–	–	–	–	65,250
Simon Thompson	**2013**	**310,500**	**–**	**–**	**–**	**–**	**–**	**–**	**310,500**
	2012	300,000	–	–	–	–	–	–	300,000
Jeremy Wilson [1]	**2013**	**13,989**	**–**	**–**	**–**	**–**	**–**	**–**	**13,989**
	2012	–	–	–	–	–	–	–	–
Former Directors	**2013**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2012	115,015	–	–	–	–	–	–	115,015
Subtotal	**2013**	**736,989**	**–**	**–**	**–**	**–**	**–**	**–**	**736,989**
	2012	725,470	–	–	–	–	–	–	725,470
Total	**2013**	**3,658,479**	**730,374**	**66,800**	**2,629,341**	**2,629,341**	**–**	**–**	**9,714,335**
	2012	3,548,140	705,668	63,589	–	–	3,951,738	1,017,452	9,286,587

Notes

1. Appointed a Director on 21 October 2013.
2. 2013 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 combined cash and share awards made under the annual bonus plan and DSBP (replaced by the TIP from 1 January 2013) in relation to the 2012 financial year.
6. 2012 figures relate to the 2010 PSP awards granted under the Performance Share Plan which vested in 2013 based on performance to 31 December 2012. Values are based on 23.2% vesting and a share price of £12.49 at vesting (an estimated share price of £13.51 was used in last year's Remuneration Report which was based on the three-month average price to 31 December 2012). 2013 figures relate to the 2011 PSP awards which have lapsed in 2014 as a result of the 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 Director left in 2013 and therefore no compensation for loss of office was paid. The principles governing compensation for loss of office payments are set out on page 105.

Details of variable pay earned in the year

Determination of 2013 TIP Award (audited)

Following the end of the 2013 financial year, the Committee awarded Executive Directors a total TIP award of 30% of the maximum (equating to 180% 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 to be granted in 2014 in relation to 2013 performance will vest 50% after three years (i.e. in 2017) and 50% after four years (i.e. in 2018). 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%)	–[1]
Exploration (Finding Costs)	20% payable at threshold, increasing to 40% payable at target, increasing to 100% payable at stretch	10% (60%)	10%[2] (60%)
EHS	Leading and lagging quantitative and qualitative measures	10% (60%)	6%[3] (36%)
Strategic Targets	Six specific strategic targets (see overleaf)	20% (120%)	14%[4] (84%)
Relative TSR	20% payable at median, increasing to 100% payable at upper quintile against a bespoke group of listed exploration and production companies measured over 2013	50% (300%)	–[5]
Total		100% (600%)	30% (180%)

1. Production was below the threshold target of 87,115 boepd.
2. Finding costs exceeded the stretch target of $9/boe.
3. Five EHS targets were fully achieved, four targets were partially achieved and one target was not met.
4. Details of the assessment against the strategic targets are presented on page 109.
5. The TSR comparator group for the TIP award was as follows: Afren, Anadarko, Apache, BG Group, Cairn Energy, Canadian Natural Resources, ConoroPhillips, 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. As per the transitional arrangements set out in the Remuneration Policy Report, the performance period for the 2013 TIP award was based on the year ended 31 December 2013. Tullow's TSR of -32% was below the median of +12%.

2014 strategic objectives

As mentioned in the summary Director's remuneration policy table on page 103, the 2014 strategic objectives are in line with strategic priorities and consist of:

- 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/bbl;
- Regional Business: Deliver key local objectives for operational delivery and progress key development projects (including TEN, Uganda, Kenya);

- Portfolio and Monetisation: Deliver identified portfolio and monetisation options to deliver cash at appropriate value (including TEN, SNS, Mauritania);
- 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;
- 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
- Above-ground risk: Demonstrate demonstrable progress in the management of above-ground risk underpinned by increased capability and a rationalised organisational structure.

Assessment of 2013 Strategic targets

	Remuneration Committee assessment of performance
Demonstrate success in replenishing and high grading the exploration portfolio	Tullow's exploration programme added over 200 mmboe to contingent resources in 2013 through important wells in Kenya, Norway and Uganda from exploration expenditure of $1 billion. This is the seventh year in a row Tullow has added an average of 200 mmboe to contingent resources. In addition new acreage was acquired in 2013 in Norway, Mauritania, Guyana, Suriname and Namibia with a number of acreage awards still outstanding.
Progress key development activities: TEN, Jubilee, FFD and Uganda	TEN: All contracts signed, project execution successfully underway, and work on optimising first oil date being progressed. Currently on track for first oil in mid-2016. Jubilee FFD: Successfully delivered our first horizontal well as a producer which is now flowing with strong potential. Further wells to be completed as required to fully develop the reserves. Continue to work on gas compression upgrades to allow field production to be increased. Uganda: There have been a number of positive announcements from the Governments of Uganda and Kenya regarding joint initiatives for a crude oil pipeline to the Indian Ocean. Progress is also being made with the Government of Uganda on approval for field development plans and a Memorandum of Understanding (MOU) was signed in February 2014.
Progress portfolio options for TEN, Uganda, French Guiana and complete integration of Spring Energy	Tullow has completed the sale of its Bangladesh assets and is awaiting Government consent to complete the sale of its Pakistan assets. As previously announced, the sale of our UK and Dutch assets is being restructured. The process for reducing Tullow's stake and capital commitments in the TEN Project is ongoing with proposals being evaluated. Spring Energy has now been fully integrated.
Ensure opex, G&A and capex are appropriate for production levels and evolving strategic focus	Significant focus in 2013 on management of costs. Operating costs amounted to $16.5/boe (2012: $14.6 per boe), which achieved the Group's baseline target for the year. Administrative expenses amounted to $218.5 million (2012: $191.2 million), which were 5% above budget and reflected the growth of the workforce. Capital expenditure amounted to $1.8 billion (2012: $1.9 billion) and was 10% below budget.
Ensure a well-funded balance sheet by reference to debt covenants, future capex plans and delivery of portfolio activity	Tullow's balance sheet is well-funded and the Group has unutilised debt capacity of $2.4 billion. In addition we diversified our sources of funding in 2013 by issuing a $650 million debut Corporate Bond.
Manage and mitigate above-ground risk in key countries of operation	This has been a primary focus in 2013 and a senior head was recruited in 2013 to manage the combination of the Environment Health and Safety and External Affairs functions with real focus on in-country delivery. To demonstrate our commitment to our local communities in Kenya, we opened three new community resource offices, with teams employed from local communities.

Vesting of PSP awards (audited)

The PSP awards granted on 13 May 2011 were based on performance to 31 December 2013. 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.	4.7% TSR	24.7% TSR	-8.8% 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.	11.5% TSR	31.5% TSR	-8.8% TSR	0%
Total vesting					0%

1. 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).
2. 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

PSP Awards granted in 2013 (audited)

The final award under the PSP was granted to Executive Directors on 22 February 2013 as follows:

Executive	Number of PSP shares awarded	Face/maximum value of awards at grant date*	% of award vesting at threshold (maximum)	Performance period
Aidan Heavey	300,000	£3,723,000	15% (100%)	01.01.13 – 31.12.2015
Other Executive Directors	175,000	£2,171,750	15% (100%)	01.01.13 – 31.12.2015

* Based on a share price of £12.41 on 22 February 2013.

The 2013 PSP awards will vest subject to the Company's TSR performance, calculated in common currency, over a three-year period commencing on 1 January 2013, with no opportunity to re-test. 70% will vest based on TSR vs an international oil sector comparator group and 30% will vest based on TSR vs median TSR of the constituents of the FTSE 100 (excluding Investment Trusts). The performance conditions are as per the 2011 awards described above. No award will vest unless the Committee considers 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. The oil sector comparators for the 2013 awards are as follows: Afren, Anadarko, Apache, BG Group, Cairn Energy, Canadian Natural Resources, ConoPhillips, 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. The FTSE 100 benchmark will be based on the constituents of the FTSE 100 Index as of the first day of the performance period.

UK SIP shares awarded in 2013 (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 £125 per month (£150 per month from 6 April 2014). Details of shares purchased and awarded to Executive Directors under the UK SIP are as follows:

Director	Shares held 01.01.13	Partnership shares acquired in year	Matching shares awarded in year	Total shares held 31.12.13	SIP shares that became unrestricted in the year	Total unrestricted shares held at 31.12.13
Graham Martin	7,510	133	133	7,776	458	6,492
Angus McCoss	2,540	133	133	2,806	458	1,522
Paul McDade	7,510	133	133	7,776	458	6,492
Ian Springett	1,018	132	132	1,282	0	0

Graham Martin, Angus McCoss, Paul McDade and Ian Springett each bought 44 partnership shares and were awarded 44 matching shares on 2 January 2014. Unrestricted shares (which are included in the total shares held at 31 December 2013) 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 on page 98, show the share price growth plus reinvested dividends over a five-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 five 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 2013) and the value of TIP awards based on the performance period ending in the relevant year (2013). 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
Total remuneration	£4,516,580	£3,558,698	£4,688,541	£2,623,116	£2,750,273
Annual bonus (%)	86%	58%	80%	70%	–
PSP vesting (%)	100%	100%	100%	23%	0%
TIP (%)	–	–	–	–	30%

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 2012 and 31 December 2013, compared to that of the average for all employees of the Group.

	% Change from 2012 to 2013		
	Salary	Benefits	Bonus
Chief Executive	3.5%	4.1%	5.8%
Average Employees	3.5%	6.5%	-7.0%

* Given the switch from an annual bonus and long-term incentive arrangement in 2012 to a combined incentive plan (i.e. the TIP) in 2013, the percentage increase for the Chief Executive's bonus shown above is based on the percentage increase from the 2012 annual bonus and share award value (£1,507,145) and the 2013 TIP award (£1,594,944).

Relative importance of spend on pay

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

	2012	2013	% change
Staff costs (£'m)	159	194	22.6
Dividends (£'m)	107	107	-
Tax (£'m)*	284	62	-78
Retained profits (£'m)*	2,433	2,416	-1

* Voluntary disclosure

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

Shareholder voting at the last AGM

At last year's AGM (8 May 2013) the remuneration-related resolutions received the following votes from shareholders:

	To approve Directors' Remuneration Report		To approve Tullow Incentive Plan		To approve Tullow Employee Share Plan		To amend Tullow Oil Share Incentive Plan	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	595,836,727	94.09	559,775,574	86.04	642,731,593	98.50	651,707,131	99.91
Against	37,437,134	5.91	90,823,436	13.96	9,799,812	1.50	578,860	0.09
Total votes cast (for and against)	633,273,861	100	650,599,010	100	652,531,405	100	652,285,991	100
Votes withheld	19,784,485	–	2,458,741	–	526,942	–	772,355	–
Total issued share capital instructed	–	69.74	–	71.65	–	71.86	–	71.83

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 01.01.13	Granted during year	Exercised during year	Lapsed during year	As at 31.12.13	Earliest date shares can be acquired	Latest date shares can be acquired
Aidan Heavey	15.05.08	924.5	141,939	–	141,939	–	–	15.05.11	14.05.18
	18.03.09	778	173,916	–	173,916	–	–	18.03.12	17.03.19
	17.03.10	1,281	106,496	–	24,707	81,789	–	17.03.13	16.03.20
	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
			1,022,351	**300,000**	**340,562**	**81,789**	**900,000**		
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	60,227	–	–	46,255	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
			588,859	**175,000**		**46,255**	**717,604**		
Angus McCoss	18.03.09	778	98,355	–	98,355	–	–	18.03.12	17.03.19
	17.03.10	1,281	60,227	–	13,972	46,255	–	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
			508,582	**175,000**	**112,327**	**46,255**	**525,000**		
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	60,227	–	–	46,255	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
			588,859	**175,000**	**–**	**46,255**	**717,604**		
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	63,949	–	–	49,113	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
			587,260	**175,000**	**–**	**49,113**	**713,147**		

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.

For awards granted in 2008, 2009 and 2010, 50% of awards were measured against an international oil sector comparator group (see past Remuneration Reports for details of specific companies) and 50% of awards were measured against the FTSE 100. 30% of awards vest at median, increasing pro-rata to 100% vesting at upper quintile (top 20%). Performance conditions for awards granted in 2011 and 2012 are identical to those set out in the Annual Report on Remuneration above for the 2013 awards, albeit the comparator group was Anadarko Petroleum Corporation, Apache Corporation, BG Group plc, Cairn Energy plc, Canadian Natural Resources Ltd, EOG Resources Inc, Forest Oil Corporation, Hess Corporation, Lundin Petroleum AB, Marathon Oil Corporation, Nexen Inc, Nico Resources Ltd, Noble Energy Inc, Pioneer National Resources Co, Premier Oil plc, Santos Ltd, Talisman Energy Inc. and Woodside Petroleum Ltd.

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 granted in March 2010 reached the end of their performance period on 31 December 2012 and vested on 17 March 2013. The Remuneration Committee determined that 23.2% of the awards should vest (the Company's TSR was above median against the peer group and below median against the FTSE 100 group and the Committee determined that the underlying performance of the Company was satisfactory).

The PSP awards made in March 2011 reached the end of their performance period on 31 December 2013. As a result of the performance conditions not being met the awards have lapsed.

The aggregate gain made by Directors on the exercise of nil cost options under the PSP during the year was £4.83 million. On 1 August 2013, being the date that Aidan Heavey and Angus McCoss exercised the options listed in the table, the market price of a Tullow share was 1066p.

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 01.01.13	Granted during year	Exercised during year	As at 31.12.13	Earliest date shares can be acquired	Latest date shares can be acquired
Aidan Heavey	13.03.08	28,328	–	28,328	–	01.01.11	12.03.18
	18.03.09	50,169	–	50,169	–	01.01.12	17.03.19
	17.03.10	28,189	–	28,189	–	01.01.13	16.03.20
	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
		172,335	**45,649**	**106,686**	**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
		97,463	**25,816**	**–**	**123,279**		
Angus McCoss	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
		96,128	**25,816**	**59,001**	**62,943**		
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
		96,128	**25,816**	**–**	**121,944**		
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
		56,349	**27,411**	**–**	**83,760**		

The awards of shares made on 22 March 2013 equated to shares worth the amount of bonus deferred into shares for 2012, based on the share prices for the five dealing days preceding the date of grant. The Tullow share price on the date of grant of those awards was 1241 pence.

All outstanding awards under the DSBP have been granted as, or 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 DSP during the year was £1.76 million. On 1 August 2013, being the date that Aidan Heavey and Angus McCoss exercised the options listed in the table, the market price of a Tullow share was 1066 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 01.01.13	Granted during year	Exercised during year	As at 31.12.13	Exercise price	Date from which exercisable	Last date exercisable
Graham Martin	06.10.03	400,000	–	400,000	–	85p	06.10.06	05.10.13
	20.09.04	190,000	–	–	190,000	131p	20.09.07	19.09.14
		590,000	**–**	**400,000**	**190,000**			

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 has been satisfied for all the options, which are therefore fully exercisable.

The gain made by Graham Martin on the exercise of share options under the ESOS during the year was £3.92 million. On 1 August 2013, being the date that Graham Martin exercised the options listed in the table, the market price of a Tullow share was 1066p.

Share Price Range

During 2013, the highest mid-market price of the Company's shares was 1289p and the lowest was 836p. The year-end price was 855p.

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 2013, are set out in the table below:

	Legally Owned		PSP Awards		DSBP Awards		ESOS vested	SIP		Total	% of salary held under shareholding Guidelines*
	31.12.13	31.12.12	Unvested	Vested	Unvested	Vested		Restricted	Unrestricted	31.12.13	(400% of salary)
Aidan Heavey	6,401,511	6,401,511	900,000	–	111,298	–		–	–	7,412,809	6,589%
Graham Martin	1,915,312	1,702,766	525,000	192,604	62,943	60,336	190,000	1,284	6,492	2,953,971	3,477%
Angus McCoss	241,446	150,485	525,000	–	62,943	–		1,284	1,522	982,680	439%
Paul McDade	260,801	260,801	525,000	192,604	62,943	59,001		1.284	6,492	1,108,125	704%
Ian Springett	12,000	12,000	525,000	188,147	66,833	16,927		1,282	–	810,189	196%
Non-executive Directors											
Simon Thompson	14,360	14,360	–	–	–	–		–	–	14,360	–
Tutu Agyare	1,940	1,940	–	–	–	–		–	–	1,940	–
David Bamford	13,445	13,445	–	–	–	–		–	–	13,445	–
Anne Drinkwater	7,000	7,000	–	–	–	–		–	–	7,000	–
Ann Grant	3,171	2,371	–	–	–	–		–	–	3,171	–
Steve Lucas	–	-	–	–	–	–		–	–		
Jeremy Wilson	–	-	–	–	–	–		–	–	-	–

* 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 102.

There have been no changes in the interests of any Director between 1 January 2014 and the date of this report other than:

(a) as a consequence of PSP awards made in 2011 lapsing as mentioned in the notes to the table 'Directors' remuneration' on page 107; and

(b) as detailed in the table 'UK SIP shares awarded in 2013' on page 111.

Results and dividends

The profit on ordinary activities after taxation of the Group for the year ended 31 December 2013 amounted to $216.1 million (2012: $666.2 million).

An interim dividend of Stg 4p (2012: Stg 4p) per ordinary share was paid on 3 October 2013. The Directors recommend a final dividend of Stg 8p (2012: Stg 8p) per ordinary share which, if approved at the 2014 AGM, will be paid on 9 May 2014 to shareholders whose names are on the Register of Members on 4 April 2014.

Subsequent events

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

In January 2014, Tullow announced oil discoveries at the Amosing-1 and Ewoi-1 exploration wells in Block 10BB onshore northern Kenya. As a result of these latest successes, Tullow updated its estimate of discovered resources in this basin to over 600 mmbo.

On 5 February 2014 a Memorandum of Understanding was signed between the Government of Uganda and Tullow, Total and CNOOC agreeing a basin wide commercialisation plan for the Lake Albert Basin.

Share capital

As at 11 February 2014, the Company had an allotted and fully paid up share capital of 909,973,957 ordinary shares of 10 pence each with an aggregate nominal value of £90,997,395.70.

Substantial shareholdings

As at 11 February 2014, 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
BlackRock Inc	90,154,669	9.91%
Genesis Asset Managers, LLP	72,871,524	8.01%
IFG International Trust Company Limited	38,960,366	4.28%

Following requests under section 793 of the Companies Act 2006, the Company understands that the percentage of its issued share capital held by BlackRock Inc has reduced to 7.34% and that held by Genesis Asset Managers, LLP is broadly unchanged at 8.02%.

Shareholders' rights

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$500 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.

Under the terms of the Indenture 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 46 to 47.

Details of Directors' service agreements and letters of appointment are set out on page 104 and 105. 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 pages 111 and pages 113 to 115 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 has satisfied itself 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. 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.

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 £4,539,185. The authority lasts until the earlier of the Annual General Meeting of the Company in 2014 or 30 June 2014;
- 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 does not currently have shareholder authority to buy back shares (although is seeking such an authority at this year's Annual General Meeting); and
- 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.

Employees with disabilities

Tullow is committed to eliminating discrimination and encouraging diversity amongst its workforce. Tullow's aim is that its workforce will be truly representative of all sections of society and each employee feels respected and able to give their best. 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. Tullow is committed to providing equal opportunities for all. Tullow's Code of Business Conduct and Equal Opportunities Policy provide guidelines on fair employment practices and fair treatment.

All employees are helped and encouraged to develop their full potential. Tullow aims to provide an optimal working environment to suit the needs of all employees, including the needs of employees with disabilities. For employees who become disabled during their time with the Group, Tullow will provide support to best accommodate continuous employment. Tullow's EHS Function actively seeks to keep people safe, whatever their needs.

Employee involvement and engagement

Employees are informed about significant business issues and Tullow's performance using webcasts, the Group's intranet, town hall meetings with the Executive Directors (which are videoed), as well as our in-house employee magazine, Tullow World. Tullow also consults with employees on matters that affect them through the appropriate channels. All permanent employees participate in employee share plans operated by Tullow providing them with the opportunity to share in the success of the business.

Political donations

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

Corporate responsibility

The Group is fully committed to high standards of environmental, health and safety management. A review, together with an outline of the Group's involvement in social investment projects, is set out in the Creating Shared Prosperity section on pages 51 to 55 of this Report. In addition, Tullow publishes annually a separate Corporate Responsibility Report which is available on the Group website: www.tullowoil.com.

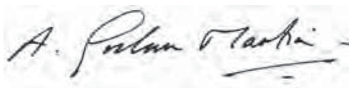
Auditors and disclosure of relevant audit information

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.

Annual General Meeting

Your attention is drawn to the Notice of Annual General Meeting accompanying this Annual Report which sets out the resolutions to be proposed at the forthcoming AGM. The meeting will be held at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ on Wednesday 30 April 2014 at 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

11 February 2014

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

Company registered in England and Wales No. 3919249

LOCAL CONTENT IN MAURITANIA

Tullow commenced an exploration drilling campaign in August 2013, targeting new, deeper plays in the offshore Mauritanian basin. The Banda gas-to-power development is progressing following approval of a Field Development Plan. Our Mauritanian operations have 23 permanent employees, 79% of which are nationals. In 2013, Tullow spent just under $7 million with local suppliers and we are investing in capacity building and health care initiatives.

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FINANCIAL STATEMENTS

Supplementary Information

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 J Heavey

Aidan Heavey
Chief Executive Officer

11 February 2014

Ian Springett
Chief Financial Officer

11 February 2014

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 2013 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) 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 IFRSs 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 contained within the Directors' Corporate Governance Compliance Report on page 88 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	How the scope of our audit responded to the risk
The assessment of the carrying value of: • intangible exploration and evaluation assets; and • non-current oil and gas assets	For exploration and evaluation assets we participated in meetings with key operational and finance staff at all key locations to understand the exploration and appraisal activities and gathered evidence including confirmations of ongoing appraisal activity and the licence phase to assess the value of exploration and evaluation assets carried forward. Where an asset has been impaired, we have challenged management on the events that led to the impairment. For non-current oil and gas assets we evaluated the assumptions and judgements used in management's review of the portfolio for indicators of impairment and the specific impairment tests resulting from that review, including specifically: future oil and gas prices, costs, production volumes, discount rates, economic cut-off and sensitivities.
The recoverability of other non-current assets, specifically the continued recognition of $358.1 million contingent consideration receivable as a result of the Uganda licence farm-down in 2012	We considered the appropriateness of the assumptions and estimates made by management and described in Accounting Policy (af) in connection with the likelihood and timing of recovery of the contingent consideration from the Uganda farm-down. We also reviewed the Memorandum of Understanding between the licence partners and the Government of Uganda.
The finalisation of fair values attributable to the identifiable assets, liabilities and contingent liabilities following the acquisition of Spring Energy Norway AS and the recognition of goodwill in relation to this transaction	We inspected, challenged, and corroborated by reference to third-party information where available, evidence pertaining to each of the key assumptions described in note 9 in management's assessment, calculation and presentation of the fair values of the identifiable assets, liabilities and contingent liabilities acquired through the purchase of Spring Energy Norway AS.
The recognition and measurement of the Group's exposure to various tax claims and assessments across its operating locations	We considered, together with tax specialists within the audit team, each of the material tax claims and assessments made against the Group and the associated accounting treatment for each of these items, including the assessment of tax payable on the farm-down of licences in Uganda that completed in 2012. Our work included reviewing applicable third-party tax and legal advice.

The recognition and measurement of decommissioning provisions	We have assessed the appropriateness of the assumptions used in the decommissioning calculation which are discussed in note 24 of the Financial Statements. In particular, we obtained appropriate supporting evidence for the expected timing, related costs and discount rate applied to the calculation, including consideration of the third-party independent expert report prepared for management on the decommissioning cost estimates. We have benchmarked the assumptions used against available market information.

The Audit Committee's consideration of these risks is set out on page 91.

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 determined materiality for the Group to be $100 million, which is below 8.5% of normalised pre-tax profit and below 2% of equity. Pre-tax profit is normalised when determining materiality to exclude one-off items that would significantly distort profit year on year.

We determined that both equity and pre-tax profit are appropriate bases for calculating materiality as shareholders place significant value on the Group's assets, particularly on its portfolio of exploration, evaluation and development assets, whilst the development of the Jubilee field in Ghana and other fields entering the production phase have also established the importance of the Income Statement to shareholders.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $2 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope 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 group team audits the UK, Kenya and Uganda reporting units directly and 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. The group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor visits each of the locations where the group audit scope was focused at least once every two years. In addition, in the current year the Senior Statutory Auditor or senior members of his team visited the most material financial reporting locations in Gabon, Ghana, Kenya, South Africa and the UK to support and review the audit work performed by the component auditors.

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 nine 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.

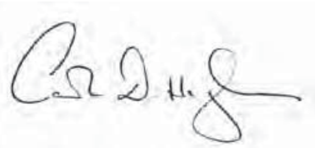
Respective responsibilities of Directors and auditor

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.

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 auditor's 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

11 February 2014

GROUP INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $m	2012 $m
Continuing activities			
Sales revenue	2	**2,646.9**	2,344.1
Cost of sales		**(1,206.5)**	(999.3)
Gross profit		**1,440.4**	1,344.8
Administrative expenses		**(218.5)**	(191.2)
Profit on disposal	10	**29.5**	702.5
Exploration costs written off	4,12	**(870.6)**	(670.9)
Operating profit	4	**380.8**	1,185.2
Loss on hedging instruments	22	**(19.7)**	(19.9)
Finance revenue	2	**43.7**	9.6
Finance costs	5	**(91.6)**	(59.0)
Profit from continuing activities before tax		**313.2**	1,115.9
Income tax expense	6	**(97.1)**	(449.7)
Profit for the year from continuing activities		**216.1**	666.2
Attributable to:			
Owners of the Company		**169.0**	624.3
Non-controlling interest	27	**47.1**	41.9
		216.1	666.2
Earnings per ordinary share from continuing activities	8	**¢**	¢
Basic		**18.6**	68.8
Diluted		**18.5**	68.4

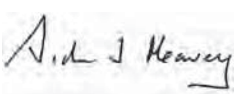
GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE
YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $m	2012 $m
Profit for the year		**216.1**	666.2
Items that may be reclassified to the income statement in subsequent periods			
Cash flow hedges			
Gains/(losses) arising in the year	22	**3.4**	(3.3)
Reclassification adjustments for items included in profit on realisation	22	**5.3**	11.0
		8.7	7.7
Exchange differences on translation of foreign operations		**12.7**	7.7
Other comprehensive income		**21.4**	15.4
Tax relating to components of other comprehensive income	22	**0.1**	0.1
Net other comprehensive income for the year		**21.5**	15.5
Total comprehensive income for the year		**237.6**	681.7
Attributable to:			
Owners of the Company		**190.5**	639.8
Non-controlling interest		**47.1**	41.9
		237.6	681.7

GROUP BALANCE SHEET
AS AT 31 DECEMBER 2013

	Notes	2013 $m	2012 $m
ASSETS			
Non-current assets			
Goodwill	11	**350.5**	–
Intangible exploration and evaluation assets	12	**4,148.3**	2,977.1
Property, plant and equipment	13	**4,862.9**	4,407.9
Investments	14	**1.0**	1.0
Other non-current assets	15	**68.7**	696.7
Derivative financial instruments	22	**6.8**	–
Deferred tax assets	25	**1.1**	4.9
		9,439.3	8,087.6
Current assets			
Inventories	16	**193.9**	163.7
Trade receivables	17	**308.7**	238.7
Other current assets	15	**944.4**	416.6
Current tax assets	6	**226.2**	28.6
Cash and cash equivalents	18	**352.9**	330.2
Assets classified as held for sale	19	**43.2**	116.4
		2,069.3	1,294.2
Total assets		**11,508.6**	9,381.8
LIABILITIES			
Current liabilities			
Trade and other payables	20	**(1,041.1)**	(848.1)
Borrowings	21	**(159.4)**	–
Current tax liabilities		**(165.5)**	(292.4)
Derivative financial instruments	22	**(48.1)**	(39.4)
Liabilities directly associated with assets classified as held for sale	19	**(18.2)**	(48.9)
		(1,432.3)	(1,228.8)
Non-current liabilities			
Trade and other payables	20	**(29.4)**	(30.6)
Borrowings	21	**(1,995.0)**	(1,173.6)
Derivative financial instruments	22	**(28.3)**	(19.3)
Provisions	24	**(989.2)**	(531.6)
Deferred tax liabilities	25	**(1,588.0)**	(1,076.3)
		(4,629.9)	(2,831.4)
Total liabilities		**(6,062.2)**	(4,060.2)
Net assets		**5,446.4**	5,321.6
EQUITY			
Called-up share capital	26	**146.9**	146.6
Share premium	26	**603.2**	584.8
Foreign currency translation reserve		**(155.1)**	(167.8)
Hedge reserve	22	**2.3**	(6.5)
Other reserves		**740.9**	740.9
Retained earnings		**3,984.7**	3,931.2
Equity attributable to equity holders of the Company		**5,322.9**	5,229.2
Non-controlling interest	27	**123.5**	92.4
Total equity		**5,446.4**	5,321.6

Approved by the Board and authorised for issue on 11 February 2014.



Aidan Heavey
Chief Executive Officer

Ian Springett
Chief Financial Officer

GROUP STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2013

	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 2012		146.2	551.8	(175.5)	(14.3)	740.9	3,441.3	4,690.4	75.6	4,766.0
Profit for the year		–	–	–	–	–	624.3	624.3	41.9	666.2
Hedges, net of tax	22	–	–	–	7.8	–	–	7.8	–	7.8
Currency translation adjustments		–	–	7.7	–	–	–	7.7	–	7.7
Issue of shares	26	–	4.9	–	–	–	–	4.9	–	4.9
Issue of employee share options	26	0.4	28.1	–	–	–	–	28.5	–	28.5
Vesting of PSP shares		–	–	–	–	–	(9.1)	(9.1)	–	(9.1)
Share-based payment charges	28	–	–	–	–	–	47.9	47.9	–	47.9
Dividends paid	7	–	–	–	–	–	(173.2)	(173.2)	–	(173.2)
Distribution to non-controlling interests	27	–	–	–	–	–	–	–	(25.1)	(25.1)
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 31 December 2013		**146.9**	**603.2**	**(155.1)**	**2.3**	**740.9**	**3,984.7**	**5,322.9**	**123.5**	**5,446.4**

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.
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.

	Notes	2013 $m	2012 $m
Cash flows from operating activities			
Profit before taxation		**313.2**	1,115.9
Adjustments for:			
Depletion, depreciation and amortisation		**591.9**	561.9
Impairment loss		**52.7**	31.3
Exploration costs written off	12	**870.6**	670.9
Profit on disposal		**(29.5)**	(702.5)
Decommissioning expenditure		**(6.7)**	(2.4)
Share-based payment charge		**41.3**	32.6
Loss on hedging instruments		**19.7**	19.9
Finance revenue		**(43.7)**	(9.6)
Finance costs		**91.6**	59.0
Operating cash flow before working capital movements		**1,901.1**	1,777.0
Decrease/(increase) in trade and other receivables		**75.8**	(11.3)
(Increase)/decrease in inventories		**(28.9)**	11.3
Increase in trade payables		**49.6**	7.5
Cash generated from operations		**1,997.6**	1,784.5
Income taxes paid		**(252.3)**	(264.1)
Net cash from operating activities		**1,745.3**	1,520.4
Cash flows from investing activities			
Disposal of subsidiaries	10	**41.4**	–
Disposal of exploration and evaluation assets	10	**38.2**	2,568.2
Disposal of oil and gas assets		**0.7**	0.3
Disposal of other assets		**–**	1.3
Purchase of subsidiaries	9	**(392.8)**	–
Purchase of intangible exploration and evaluation assets		**(1,268.5)**	(1,196.6)
Purchase of property, plant and equipment		**(740.8)**	(652.8)
Finance revenue		**34.3**	1.3
Net cash (used)/generated in investing activities		**(2,287.5)**	721.7
Cash flows from financing activities			
Net proceeds from issue of share capital		**6.0**	24.5
Debt arrangement fees		**(13.5)**	(77.2)
Repayment of bank loans		**(1,236.5)**	(2,407.5)
Drawdown of bank loans		**1,447.7**	565.0
Issue of senior loan notes	22	**650.0**	–
Repayment of obligations under finance leases		**(3.3)**	(1.8)
Finance costs		**(103.5)**	(103.2)
Dividends paid	7	**(167.4)**	(173.2)
Distribution to non-controlling interests	27	**(16.0)**	(25.1)
Net cash generated/(used) by financing activities		**563.5**	(2,198.5)
Net increase in cash and cash equivalents		**21.3**	43.6
Cash and cash equivalents at beginning of year	18	**330.2**	307.1
Cash transferred to held for sale	19	**0.6**	(18.0)
Foreign exchange gain/(loss)		**0.8**	(2.5)
Cash and cash equivalents at end of year	18	**352.9**	330.2

(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 184.

(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 7 Financial Instruments: Disclosures (Amendment)
IFRS 7 has been amended to require disclosure of information about rights of set-off and related arrangements in regard to financial assets and liabilities.

IFRS 13 Fair Value Measurement
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The new standard also requires new disclosures to assist users to understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurement on profit or loss.

IAS 1 Presentation of Items of Other Comprehensive Income (Amendment)
The amendment to IAS 1 requires that items that will be reclassified to the income statement in the future will be presented separately from items that will be never be reclassified.

IAS 19 Employee Benefits (Revised)
The revisions to IAS 19 includes, for defined benefit plans: the ability to defer recognition of actuarial gains and losses has been removed, expected returns on plan assets are no longer recognised in profit or loss, objectives for disclosure of defined benefit plans are explicitly stated in the revised standard, termination benefits are recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised and the distinction between short-term and other long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.

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 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (amended)	Recoverable Amount Disclosure for Non-Financial Assets
IAS 39 (amended)	Novation of Derivatives and Continuation of Hedge Accounting

The adoption of IFRS 9 Financial Instruments which the Group plans to adopt for the year beginning on 1 January 2016 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 (IFRSs) as issued by the International Accounting Standards Board (IASB). The Financial Statements have also been prepared in accordance with IFRSs 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. 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 to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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 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 ventures

The Group is engaged in oil and gas exploration, development and production through unincorporated joint ventures; these are classified as jointly controlled assets in accordance with IAS 31. The Group does not have any jointly controlled entities. The Group accounts for its share of the results and net assets of these joint ventures. 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 venture are included in the Group 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 and overriding royalties, 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 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 are 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 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 have 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 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 have 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 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.

- 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, through review of cash flow forecasts. In calculating cash flow forecasts, management make a number of judgements and estimates, including commodity prices, reserves, forecast capital expenditure, foreign exchange rates, and interest rates. The cash flow 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 phasing of development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed potentially to 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 2013 Annual Report and Accounts.

- 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 and are estimated by reference to operators, where applicable and appropriate, internal engineers and independent specialists. A review of certain decommissioning cost estimates was undertaken by an independent specialist at the start of 2013 which has been assessed and updated internally for the purposes of the 2013 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 10);

In 2012 the Uganda Revenue Authority (URA) issued an assessment for $473 million in respect of capital gains tax on the farm-down on 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 will first be heard before the Ugandan Tax Appeals Tribunal in 2014 and if the Group is unsuccessful the matter will proceed to International Arbitration insofar as it relates to contractual issues. It is management's intention to proceed through the full legal process until award is made in the Group's favour.

It is expected that the Ugandan Tax Appeals Tribunal may not find in Tullow's favour such that a payment of $399 million, the estimated most likely outcome of the Tribunal process, is required in the first half of 2014. 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 from the full legal process is that no liability will arise, the $399 million has not been recorded as a liability in the 2013 Financial Statements. If a payment is required in respect of the proceedings before the Ugandan Tax Appeals Tribunal, a receivable relating to the expected reimbursement arising as a result of International Arbitration will be recorded. The possible risk of the Group being unsuccessful at both the Ugandan Tax Tribunal and International Arbitration has been disclosed as a contingent liability (note 29). Management have 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 and the amount of a possible payment from the Ugandan Tax Appeals Tribunal 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. 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. In making this assessment management have estimated the most likely outcome.

The Directors believe that the Group has recorded adequate provisions as of 31 December 2013 and 2012 for all such matters.

- Other assets (note 15).

Recoverability of contingent consideration
On completion of the Ugandan farm-down in 2012, Tullow recognised $341.3 million of 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.

Management have exercised judgement in determining when the project approvals will be received and currently expect the condition to be met in the first half of 2014 and therefore the receivable will be settled in full. The judgement has been based on the progress of ongoing discussions with Government and Partners regarding the development programme for Uganda.

Recoverable security paid to the Uganda Revenue Authority (URA)
Under the terms of Tullow and Heritage's PSA, Tullow opened proceedings against Heritage in London to recover the security paid by Tullow as designated agent to the URA. Tullow was successful in this action and received payment of $345.8 million in August 2013. On 20 September 2013, the Court of Appeal granted Heritage permission to appeal the judgment with the appeal hearing expected to take place in May 2014. The Directors have exercised judgement based on external legal advice in determining the most likely outcome of the appeal, being an award in the Group's favour.

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 2013 and 31 December 2012.

	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	**876.7**	**2.3**	**164.2**	**27.2**	**1,070.4**
Intangible exploration and evaluation assets	**262.9**	**570.0**	**669.8**	**–**	**1,502.7**
Depletion, depreciation and amortisation	**(425.5)**	**(0.5)**	**(142.2)**	**(23.7)**	**(591.9)**
Impairment losses recognised in income statement	**–**	**–**	**(52.7)**	**–**	**(52.7)**
Exploration costs written off	**(113.4)**	**(334.9)**	**(422.3)**	**–**	**(870.6)**

All sales are to external customers. Included in revenue arising from West and North Africa are revenues of approximately $911.7 million, $350.4 million and $337.6 million relating to the Group's largest customers (2012: $1,098.0 million single customer). As the sales of oil and gas are made on global markets, 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.

Note 1. Segmental reporting continued

	West and North Africa $m	South and East Africa $m	Europe, South America and Asia $m	Unallocated $m	Total $m
2012					
Sales revenue by origin	1,963.5	–	380.6	–	2,344.1
Segment result	974.1	(176.2)	(124.0)	–	673.9
Profit on disposal					702.5
Unallocated corporate expenses					(191.2)
Operating profit					1,185.2
Loss on hedging instruments					(19.9)
Finance revenue					9.6
Finance costs					(59.0)
Profit before tax					1,115.9
Income tax expense					(449.7)
Profit after tax					666.2
Total assets	5,148.3	2,185.6	1,868.0	179.9	9,381.8
Total liabilities	(1,531.9)	(285.1)	(999.4)	(1,243.8)	(4,060.2)
Other segment information					
Capital expenditure:					
Property, plant and equipment	626.5	1.5	136.3	29.8	794.1
Intangible exploration and evaluation assets	512.2	582.6	246.1	–	1,340.9
Depletion, depreciation and amortisation	(360.2)	(1.2)	(178.4)	(22.1)	(561.9)
Impairment losses recognised in income statement	(31.3)	–	–	–	(31.3)
Exploration costs written off	(320.9)	(176.1)	(173.9)	–	(670.9)

Sales revenue and non-current assets by origin	**Sales revenue 2013 $m**	Sales revenue 2012 $m	**Non-current assets 2013 $m**	Non-current assets 2012 $m
Ghana	**1,245.3**	958.5	**3,439.3**	3,093.0
Equatorial Guinea	**311.4**	330.7	**336.4**	261.6
Gabon	**493.5**	482.2	**330.8**	328.5
Other	**197.3**	192.1	**853.3**	694.0
Total West and North Africa	**2,247.5**	1,963.5	**4,959.8**	4,377.1
Uganda	**–**	–	**1,205.5**	1,713.8
Other	**–**	–	**394.7**	313.4
Total South and East Africa	**–**	–	**1,600.2**	2,027.2
Netherlands	**137.9**	142.3	**869.5**	860.3
Norway	**11.2**	–	**985.1**	–
Other	**250.3**	238.3	**861.2**	701.1
Total Europe, South America and Asia	**399.4**	380.6	**2,715.8**	1,561.4
Unallocated	**–**	–	**163.5**	121.9
Total revenue / non-current assets	**2,646.9**	2,344.1	**9,439.3**	8,087.6

Note 2. Total revenue

	Notes	2013 $m	2012 $m
Sales revenue (excluding tariff income)			
Oil and gas revenue from the sale of goods		**2,678.9**	2,405.7
Loss on realisation of cash flow hedges	22	**(56.0)**	(77.0)
		2,622.9	2,328.7
Tariff income		**24.0**	15.4
Total sales revenue		**2,646.9**	2,344.1
Finance revenue	15	**43.7**	9.6
Total revenue		**2,690.6**	2,353.7

Finance revenue includes $32.8 million (2012: nil) of interest and costs awarded from the legal action against Heritage Oil & Gas Limited. Further explanation is provided in note 15.

Note 3. Staff costs

The average monthly number of employees and contractors (including Executive Directors) employed by the Group worldwide was:

	2013 Number	2012 Number
Administration	**828**	615
Technical	**851**	738
Total	**1,679**	1,353

Staff costs in respect of those employees were as follows:

	2013 $m	2012 $m
Salaries	**258.7**	226.4
Social security costs	**29.0**	12.4
Pension costs	**15.8**	13.1
	303.5	251.9

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. The net staff costs recognised in administrative expenses were $67.3 million (2012: $64.6 million).

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.

Note 4. Operating profit

	Notes	2013 $m	2012 $m
Operating profit is stated after charging:			
Staff costs	3	**67.3**	64.6
Depletion and amortisation of oil and gas assets	13	**565.1**	536.7
Depreciation of other fixed assets	13	**26.8**	25.2
Impairment of property, plant and equipment	13	**48.0**	31.3
Impairment of assets held for sale	19	**4.7**	–
Exploration costs written off	12	**865.5**	670.9
Exploration costs written off associated with assets held for sale	19	**5.1**	–
Share-based payment charge included in cost of sales	28	**1.8**	2.0
Share-based payment charge included in administrative expenses	28	**39.5**	30.6
Operating lease rentals		**20.3**	13.6
Auditor's remuneration (see below)		**4.7**	3.3

	2013 $m	2012 $m
Fees payable to the Company's auditor for:		
The audit of the Company's annual accounts	**0.3**	0.2
The audit of the Company's subsidiaries pursuant to legislation	**2.3**	1.7
Total audit services	**2.6**	1.9
Non-audit services:		
Audit related assurance services – half-year review	**0.4**	0.4
Other assurance services	**0.7**	0.1
Tax compliance services	**0.2**	0.2
Information technology services	**0.1**	0.1
Corporate finance services	**–**	–
Other services	**0.7**	0.6
Total non-audit services	**2.1**	1.4
Total	**4.7**	3.3

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 89 to 93. No services were provided pursuant to contingent fee arrangements.

Note 5. Finance costs

	Notes	2013 $m	2012 $m
Interest on bank overdrafts and borrowings		**147.4**	94.8
Interest on obligations under finance leases		**2.3**	1.8
Total borrowing costs		**149.7**	96.6
Less amounts included in the cost of qualifying assets	12,13	**(105.9)**	(67.2)
		43.8	29.4
Finance and arrangement fees		**7.0**	9.3
Other interest expense		**1.8**	–
Foreign exchange losses		**21.5**	–
Unwinding of discount on provisions	24	**17.5**	20.3
Total finance costs		**91.6**	59.0

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 7.84% (2012: 7.68%) to cumulative expenditure on such assets.

Note 6. Taxation on profit on ordinary activities

Analysis of charge in period

The tax charge comprises:

	Notes	2013 $m	2012 $m
Current tax			
UK corporation tax		**4.3**	10.1
Foreign tax[1]		**(9.8)**	360.2
Total corporate tax		**(5.5)**	370.3
UK petroleum revenue tax		**11.1**	10.8
Total current tax		**5.6**	381.1
Deferred tax			
UK corporation tax		**(35.5)**	17.3
Foreign tax		**130.8**	53.6
Total deferred corporate tax		**95.3**	70.9
Deferred UK petroleum revenue tax		**(3.8)**	(2.3)
Total deferred tax	25	**91.5**	68.6
Total tax expense		**97.1**	449.7

1. Included in 2012 foreign current tax is $142 million CGT paid in respect of the Uganda farm-down (note 10).

Factors affecting tax charge for period

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 charge shown above and the amount calculated by applying the standard rate of UK corporation tax applicable to UK profits of 23% (2012: 24%) to the profit before tax is as follows:

	2013 $m	2012 $m
Group profit on ordinary activities before tax	**313.2**	1,115.9
Tax on Group profit on ordinary activities at the standard UK corporation tax rate of 23% (2012: 24%)	**72.0**	267.8
Effects of:		
Expenses not deductible for tax purposes	**123.7**	86.7
Other income not subject to corporation tax	**(85.2)**	(15.5)
PSC income not subject to corporation tax	**(51.9)**	(83.1)
Net losses not recognised	**86.6**	129.1
Petroleum revenue tax (PRT)	**6.8**	8.5
UK corporation tax deductions for current PRT	**(4.2)**	(5.3)
Utilisation of tax losses not previously recognised	**(7.5)**	–
Adjustment relating to prior years	**(52.5)**	20.8
Adjustments to deferred tax relating to change in tax rates	**0.1**	16.5
Income taxed at a different rate	**32.5**	161.2
Uganda capital gains tax	**–**	(132.6)
Tax incentives for investment	**(23.3)**	(4.4)
Group total tax expense for the year	**97.1**	449.7

Note 6. Taxation on profit on ordinary activities continued

Following previous reductions in the main rate of UK corporation tax, on 26 March 2012 additional reductions from 26% to 24% effective from 1 April 2012 and from 24% to 23% from 1 April 2013 were substantively enacted. The Finance Act 2013 substantively enacted on 2 July 2013 included legislation reducing the main rate of UK corporation tax from 23% to 21% with effect from 1 April 2014 and a further phased reduction in the mainstream rate to 20% at 1 April 2015.

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 $1,783.0 million (2012: $1,724.7 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 $52.0 million in deferred tax assets in relation to taxable losses (2012: $49.4 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 $24.5 million (2012: $30.0 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.

Current tax assets

As at 31 December 2013, current tax assets were $226.2 million (2012: $28.6 million) of which $203.0 million relates to Norway, where 78% of exploration expenditure is refunded as a tax refund in the following year.

Note 7. Dividends

	2013 $m	2012 $m
Declared and paid during year		
Final dividend for 2012: 8 pence (2011: 8 pence) per ordinary share	**110.6**	115.4
Interim dividend for 2013: 4 pence (2012: 4 pence) per ordinary share	**56.8**	57.8
Dividends paid	**167.4**	173.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2013: 8 pence (2012: 8 pence) per ordinary share	**120.0**	117.4

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements.

Note 8. Earnings per ordinary share

Basic earnings per ordinary share amounts are calculated by dividing net 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 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.

	2013 $m	2012 $m
Earnings		
Net profit attributable to equity shareholders	**169.0**	624.3
Effect of dilutive potential ordinary shares	**–**	–
Diluted net profit attributable to equity shareholders	**169.0**	624.3

	2013 Number	2012 Number
Number of shares		
Basic weighted average number of shares	**908,318,245**	906,825,122
Dilutive potential ordinary shares	**6,100,643**	5,555,890
Diluted weighted average number of shares	**914,418,888**	912,381,012

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

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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 are recognised in the 2013 income statement. From the date of acquisition, Spring has 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 the financial year, Group revenues for the period would have been $2,647.8 million and Group profit would have been $216.9 million.

There were no acquisitions involving business combinations in 2012.

Note 10. Disposals

In 2013 the Group completed the disposal of Tullow Bangladesh Limited for $41.4 million which was previously classified as held for sale (note 19). During 2013 the Group also farmed down a portion of its interest in CI-103 in Côte d'Ivoire and received $8.6 million in cash for past costs (note 12).

In 2012 the Group completed the farm-down of one-third of its Uganda interests to both Total and CNOOC ("the partners") for consideration of $3.3 billion (including $341.3 million of discounted contingent consideration, note 15), generating a profit on disposal of $701.0 million.

In 2012 the Group provided for $30.0 million in respect of the $313.0 million recoverable security paid by Tullow to the Uganda Revenue Authority as agent to the transaction between Tullow and Heritage Oil and Gas Ltd (note 15). This balance was initially capitalised as a cost of the Uganda assets which were subsequently farmed down. Therefore on receipt of the receivable in full the Group recorded $30 million as a profit on disposal in the 2013 income statement. The $30.0 million balance previously provided for has been treated as an investing activity in the cash flow statement whereas the remaining $283.0 million is treated as a decrease in receivables.

Further disposals of oil and gas assets and non-oil and gas assets generating a loss on disposal of $0.5 million were completed in 2013 (2012: $1.5 million, profit).

Note 11. Goodwill

	2013 $m	2012 $m
At 1 January	**–**	–
Acquisition of subsidiaries (note 9)	**350.5**	–
At 31 December	**350.5**	–
Related deferred tax at 31 December	**(285.8)**	–
Total net asset impact after tax	**64.7**	–

The Group's goodwill arose from acquisition of Spring 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.

In assessing goodwill for impairment the Group has compared the carrying value of goodwill and carrying value of the related group of CGUs with the recoverable amounts relating to those CGUs. The carrying value of goodwill and carrying value of the related group of CGUs was $640.7 million and the recoverable amount of the CGUs was $646.5 million, resulting in no impairment.

Key assumptions

The valuation techniques, methodology, inputs and assumptions used for the purposes of goodwill impairment testing performed as at 31 December 2013 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:

Commodity prices

Forecast commodity prices are estimated using observable market forward curves.

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.

Capital expenditure

The capital expenditure assumptions represent management's best estimate at the date of impairment testing of future capital requirements linked to the costs associated with the extraction of the related reserves and resources.

Operating costs
The operating cost assumptions represent management's best estimate at the date of impairment testing of the costs to be incurred. The estimation of operating costs includes consideration of current operating costs, expectation of future costs and the nature and location of the operation.

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 risked 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.

Discount rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its Weighted Average Cost of Capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate.

Sensitivity to changes in assumptions
Management believes that there are no reasonably possible changes in any of the above key assumptions that would cause the carrying value of the CGU to materially exceed its recoverable amount.

Note 12. Intangible exploration and evaluation assets

	Notes	2013 $m	2012 $m
At 1 January		**2,977.1**	5,529.7
Acquisition of subsidiaries	9	**593.3**	–
Additions		**1,502.7**	1,340.9
Disposals	10	**(8.6)**	(2,573.6)
Amounts written-off	4	**(865.5)**	(670.9)
Write-off associated with Norway contingent consideration provision	24	**(41.2)**	–
Transfer to assets held for sale	19	**–**	(28.4)
Transfer to property, plant and equipment	13	**(2.7)**	(625.3)
Currency translation adjustments		**(6.8)**	4.7
At 31 December		**4,148.3**	2,977.1

Included within 2013 additions is $56.9 million (note 5) of capitalised interest (2012: $67.2 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 above as a result of the write-down of the held for sale Pakistan assets of $5.1 million (note 19).

	2013 $m	2012 $m
Exploration costs written off	**(870.6)**	(670.9)
Associated deferred tax credit	**173.9**	69.5
Net exploration costs written off after tax	**(696.7)**	(601.4)

During 2013 the Group spent $1.1 billion, including Norway exploration costs on a post tax basis, on exploration and appraisal activities and has written off $417.2 million in relation to this expenditure. This includes net write-offs in relation to current year expenditure in French Guiana ($100.5 million), Norway ($28.0 million), Gabon ($27.6 million), Ethiopia ($45.3 million), Mozambique ($77.0 million) and new venture costs were $75.0 million. In addition the Group has written off $279.5 million in relation to prior years expenditure and fair value adjustments as a result of licence relinquishments and changes in expected near-term work programmes. This included write-offs in Kenya ($79.0 million), Uganda ($66.9 million) and UK ($29.9 million).

In 2012 the Group spent $1.1 billion on exploration and appraisal activities and wrote off $236.1 million in relation to this expenditure. This included net write-offs in relation to 2012 expenditure in Ghana ($36.9 million), Guyana ($46.4 million), Sierra Leone ($37.9 million) and new venture costs were $66.8 million. In addition the Group has written off $365.3 million net of tax in relation to prior year expenditure and fair value adjustments as a result of licence relinquishments and changes in expected near-term work programmes. This included write-offs in Mauritania ($80.8 million), Namibia ($114.6 million) and Ghana ($37.0 million).

Note 13. Property, plant and equipment

	Notes	Oil and gas assets $m	Other fixed assets $m	Total $m
Cost				
At 1 January 2012		6,234.4	111.6	6,346.0
Additions		760.0	34.1	794.1
Transfer to assets held for sale	19	(69.9)	–	(69.9)
Transfer from intangible exploration and evaluation assets	12	625.3	–	625.3
Currency translation adjustments		82.0	4.0	86.0
At 1 January 2013		**7,631.8**	**149.7**	**7,781.5**
Acquisitions of subsidiaries		**–**	**0.6**	**0.6**
Additions		**1,003.4**	**67.0**	**1,070.4**
Disposals		**(0.4)**	**–**	**(0.4)**
Transfer from intangible exploration and evaluation assets	12	**2.7**	**–**	**2.7**
Currency translation adjustments		**54.9**	**4.1**	**59.0**
At 31 December 2013		**8,692.4**	**221.4**	**8,913.8**
Depreciation, depletion and amortisation				
At 1 January 2012		(2,712.6)	(53.1)	(2,765.7)
Charge for the year	4	(536.7)	(25.2)	(561.9)
Impairment loss	4	(31.3)	–	(31.3)
Transfer to assets held for sale	19	37.6	–	37.6
Currency translation adjustments		(50.1)	(2.2)	(52.3)
At 1 January 2013		**(3,293.1)**	**(80.5)**	**(3,373.6)**
Charge for the year	4	**(565.1)**	**(26.8)**	**(591.9)**
Impairment loss	4	**(48.0)**	**–**	**(48.0)**
Disposal		**0.4**	**–**	**0.4**
Currency translation adjustments		**(36.5)**	**(1.3)**	**(37.8)**
At 31 December 2013		**(3,942.3)**	**(108.6)**	**(4,050.9)**
Net book value				
At 31 December 2013		**4,750.1**	**112.8**	**4,862.9**
At 31 December 2012		4,338.7	69.2	4,407.9

The 2013 additions included capitalised interest of $49.0 million (note 5) in respect of the TEN development project (2012: $nil). The carrying amount of the Group's oil and gas assets includes an amount of $36.9 million (2012: $37.4 million) in respect of assets held under finance leases. Other fixed assets include leasehold improvements, motor vehicles and office equipment.

During 2012, the TEN Project in Ghana was transferred from contingent resources to commercial reserves following submission of the Plan of Development to the Government of Ghana. No material transfers were made in 2013.

An impairment loss after tax of $27 million ($44.0 million before tax) was recognised in respect of the Thames field in the UK (2012: M'Boundi, $31.3 million) as a result of an increase in the estimated cost to decommission. The recoverable amount was determined by estimating its value in use. In calculating this impairment, management used a production profile based on proven and probable reserves estimates and a range of assumptions, including a gas price assumption equal to the forward curve in 2014 and 2015 and 60.0p/th thereafter and a pre-tax discount rate assumption of 10%. The remainder of the impairment loss relates to current year expenditure on the Brage field, Norway, which has a zero recoverable amount.

Depletion and amortisation for oil and gas properties is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus production in the period, generally on a field-by-field basis. Commercial reserves estimates are based on a number of underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain. Commercial reserves estimates are based on a Group reserves report produced by an independent engineer. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

Note 14. Investments

	2013 $m	2012 $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 as at 31 December 2013 is included in note 1 to the Company accounts.

Note 15. Other assets

	2013 $m	2012 $m
Non-current		
Contingent consideration receivable	**–**	348.3
Recoverable security due from Heritage Oil and Gas Limited	**–**	283.5
Uganda VAT recoverable	**50.6**	55.5
Other non-current assets	**18.1**	9.4
	68.7	696.7
Current		
Contingent consideration receivable	**358.1**	–
Amounts due from joint venture partners	**367.2**	234.4
Underlifts	**30.8**	16.7
Prepayments	**99.3**	33.4
VAT recoverable	**7.9**	12.3
Other current assets	**81.1**	119.8
	944.4	416.6

As at 31 December 2013, $358.1 million has been recorded as a current receivable (2012: $348.3 million, non-current) in respect of contingent consideration due on the 2012 Ugandan farm down. The carrying value represents a receivable due of $370.2 million discounted to the estimated due date to reflect the credit risk of the counterparties and the time value of money. The unwind of the discount has been accounted for as finance revenue. Refer to accounting policy (af) for the judgements made in determining the carrying value of this receivable.

In 2013 Tullow was successful in an action against Heritage Oil and Gas Ltd and received payment for $345.8 million in August 2013, which included receipt of the $313.0 million due and $32.8 million of interest, which has been recorded as finance revenue. The Group had previously provided for $30.0 million in respect of the $313.0 million. On 20 September 2013, the Court of Appeal granted Heritage permission to appeal the judgment with the appeal hearing expected to take place in May 2014, as a result the Group has reported the $345.8 million as a contingent liability (note 29) reflecting the possibility the appeal may not award in the Group's favour.

Note 16. Inventories

	2013 $m	2012 $m
Warehouse stocks and materials	**147.4**	84.9
Oil stocks	**46.5**	78.8
	193.9	163.7

Inventories includes a provision of $4.5 million (2012: $4.6 million) for warehouse stock and materials where it is considered that the net realisable value is lower than the original cost.

Note 17. Trade receivables

Trade receivables comprise amounts due for the sale of oil and gas. No receivables have been impaired and no allowance for doubtful debt has been recognised (2012: $nil).

Note 18. Cash and cash equivalents

	2013 $m	2012 $m
Cash at bank	**352.9**	316.9
Short-term deposits	**–**	13.3
	352.9	330.2

Cash and cash equivalents includes an amount of $201.0 million (2012: $223.8 million) which the Group holds as operator in joint venture bank accounts.

Note 19. Assets classified as held for sale

In March 2012, the Board resolved to dispose of the Group's Asia operations. In April 2013 Tullow announced the sale of Tullow Bangladesh limited to KrisEnergy Asia Limited for a consideration of $41.4 million. The sale completed in December 2013. The consideration post working capital adjustment was lower than the carrying value of Tullow Bangladesh Limited and an impairment of $4.7 million has been recognised in cost of sales.

On 11 October 2013, Tullow signed a Sale and Purchase 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 sale is expected to complete in early 2014. The consideration post working capital adjustment is expected to be lower than the carrying value of Tullow Pakistan Developments Limited and an exploration write-off of $5.1 million has been recognised in the income statement.

The Group's Asia operations 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:

	Bangladesh 2013 $m	**Pakistan 2013 $m**	Bangladesh 2012 $m	Pakistan 2012 $m
Intangible exploration and evaluation assets	**–**	**25.2**	–	28.4
Property, plant and equipment	**–**	**–**	32.3	–
Trade and other receivables	**–**	**0.5**	4.1	0.6
Other current assets	**–**	**1.5**	3.9	29.1
Cash and cash equivalents	**–**	**16.0**	1.4	16.6
Total assets classified as held for sale	**–**	**43.2**	41.7	74.7
Trade and other payables	**–**	**(17.7)**	(19.0)	(28.3)
Provisions	**–**	**(0.5)**	(1.0)	(0.6)
Total liabilities associated with assets classified as held for sale	**–**	**(18.2)**	(20.0)	(28.9)
Net assets of disposal group	**–**	**25.0**	21.7	45.8
Impairment loss / exploration write-off recorded	**(4.7)**	**(5.1)**	–	–

Note 20. Trade and other payables

Current liabilities

	Notes	**2013 $m**	2012 $m
Trade payables		**41.7**	50.5
Other payables		**252.7**	195.6
Overlifts		**16.7**	9.2
Accruals		**696.5**	545.8
VAT and other similar taxes		**32.3**	46.0
Current portion of finance lease	23	**1.2**	1.0
		1,041.1	848.1

The other payables balance primarily contains payables in relation to operated licences a portion of which will be billed onto JV partners and is reflected in other current assets (note 15).

Non-current liabilities

	Notes	**2013 $m**	2012 $m
Non-current portion of finance lease	23	**29.4**	30.6
		29.4	30.6
– After one year but within five years		**6.9**	8.1
– After five years		**22.5**	22.5
		29.4	30.6

Trade and other payables are non-interest bearing except for finance leases (note 23).

Note 21. Borrowings

	2013 $m	2012 $m
Current		
Short-term borrowings	**159.4**	–
Non-current		
Term loans repayable		
– After one year but within two years	**–**	–
– After two years but within five years	**445.0**	621.1
– After five years	**906.0**	552.5
Senior notes due 2020	**644.0**	–
	1,995.0	1,173.6
Carrying value of total borrowings	**2,154.4**	1,173.6
Accrued interest and unamortised fees	**107.0**	145.1
External borrowings	**2,261.4**	1,318.7

External borrowings represent the principal amount due at maturity. Short-term borrowings, term loans and most guarantees 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.

The $500 million Revolving credit facility is repayable in full on 29 November 2014. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

The NOK 2,000 million Revolving Norwegian Exploration Finance 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 2014 and its final maturity date is either the date the 2014 tax reimbursement claims are received or 31 December 2015, whichever is the earlier. The facility incurs interest on outstanding debt at NIBOR plus an applicable margin.

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, $500 million under the Revolving credit facility and nil under the Revolving Norwegian Exploration Finance facility. At the end of December 2012, the headroom under the facilities amounted to $2,202 million; $1,702 million under the Reserves Based Lending credit facility and $500 million under the Revolving credit facility.

In November 2013 the Company completed an offering of $650 million aggregate principal amount of 6% senior notes due 2020. Interest on the notes is payable semi-annually. The 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 2013.

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	2013 $m	2012 $m
External borrowings		**2,261.4**	1,318.7
Less cash and cash equivalents	18	**(352.9)**	(330.2)
Net debt		**1,908.5**	988.5
Equity		**5,446.4**	5,321.6
Net debt ratio		**35%**	19%

The movement from 2012 is attributable to higher external borrowings during 2013, principally as a result of the Group's $2,402.1 million investment in development, appraisal and exploration activities and acquisition, 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. In addition, the Group holds 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 2013 was $665.0 million. The Group has no material financial assets that are past due. The Group predominantly sells to large oil and gas multinationals, no financial assets are impaired at the balance sheet date and all are considered to be fully recoverable.

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	2013 Less than 1 year $m	2013 1-3 years $m	2013 Total $m	2012 Less than 1 year $m	2012 1-3 years $m	2012 Total $m
Cash flow hedges						
Oil derivatives	**5.0**	**27.3**	**32.3**	5.4	32.6	38.0
Gas derivatives	**(0.1)**	**(0.1)**	**(0.2)**	0.1	–	0.1
Interest rate derivatives	**(4.5)**	**6.8**	**2.3**	(0.9)	(2.0)	(2.9)
	0.4	**34.0**	**34.4**	4.6	30.6	35.2
Deferred premium						
Oil derivatives	**(48.1)**	**(55.4)**	**(103.5)**	(43.6)	(49.4)	(93.0)
Gas derivatives	**(0.4)**	**(0.1)**	**(0.5)**	(0.4)	(0.5)	(0.9)
	(48.5)	**(55.5)**	**(104.0)**	(44.0)	(49.9)	(93.9)
Total assets	**–**	**6.8**	**6.8**	–	–	–
Total liabilities	**(48.1)**	**(28.3)**	**(76.4)**	(39.4)	(19.3)	(58.7)

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 (2012: 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 2013 and 31 December 2012, 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

Losses from commodity derivative settlements during the period, included in the income statement, were $56.0 million (2012: $77.0 million) (note 2).

Derivative fair value movements during the year which have been recognised in the income statement were as follows:

Loss on hedging instruments:	2013 $m	2012 $m
Cash flow hedges		
Gas derivatives		
Time value	**0.2**	1.3
	0.2	1.3
Oil derivatives		
Ineffectiveness	**0.1**	0.2
Time value	**(20.0)**	(21.4)
	(19.9)	(21.2)
Total net loss for the year in the income statement	**(19.7)**	(19.9)

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.

Deferred amounts in the hedge reserve	2013 $m	2012 $m
At 1 January	**(6.5)**	(14.3)
Revaluation losses arising in the year	**3.4**	(3.3)
Reclassification adjustments for items included in income statement on realisation	**5.3**	11.0
Movement in deferred tax	**0.1**	0.1
	8.8	7.8
At 31 December	**2.3**	(6.5)

The following table summarises the hedge reserve by type of derivative, net of tax effects:

Hedge reserve by derivative type	2013 $m	2012 $m
Cash flow hedges		
Oil derivatives	**–**	(3.4)
Interest rate derivatives	**2.3**	(3.1)
	2.3	(6.5)

Cash flow and interest rate risk

The Group is exposed to floating interest rate risk as entities in the Group borrow funds at floating interest rates. 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 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 2013 is an asset of $2.3 million (2012: $2.9 million liability). Interest rate hedges are included in fixed rate debt in the table below.

Note 22. Financial instruments continued

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 2013 and 2012 was as follows:

	2013 Cash at bank $m	**2013 Fixed rate debt $m**	**2013 Floating rate debt $m**	**2013 Total $m**	2012 Cash at bank $m	2012 Fixed rate debt $m	2012 Floating rate debt $m	2012 Total $m
US$	**258.2**	**(1,000.0)**	**(927.2)**	**(1,669.0)**	271.3	(50.0)	(1,097.1)	(875.8)
Euro	**14.8**	**–**	**–**	**14.8**	24.5	–	–	24.5
Sterling	**24.0**	**–**	**(174.8)**	**(150.8)**	28.3	–	(171.6)	(143.3)
Other	**55.9**	**–**	**(159.4)**	**(103.5)**	6.1	–	–	6.1
	352.9	**(1,000.0)**	**(1,261.4)**	**(1,908.5)**	330.2	(50.0)	(1,268.7)	(988.5)

The Group has a financial asset of $370.2 million in respect of contingent consideration due from Total and CNOOC, this is non-interest bearing and is due in US dollar (note 15). 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

Credit risk refers to the risk that a counterparty will fail to perform, or fail to pay amounts due, resulting in financial loss to the Group. The primary activities of the Group are oil and gas exploration and production. 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 Group limits credit risk by assessing creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness after transactions have been initiated. To the extent possible the Group mitigates credit risk by entering into contracts and agreements which enable netting and allow for termination of the contract upon the occurrence of certain events of default. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions undertaken is spread amongst approved counterparties.

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 is due $370.2 million from Total and CNOOC in respect of contingent consideration in connection with the 2012 Ugandan farm-down (note 15), as at 31 December 2013 this balance is not past due or impaired. The Group has accounted for the credit risk of Total and CNOOC through discounting of the receivable with their effective credit risk. The Group does not have any other significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. 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 2013 was $1,908.7 million (2012: $1,769.7 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 2013 year-end (2012: 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 2013, the only material monetary assets or liabilities of the Group that were not denominated in the functional currency of the respective subsidiaries involved were $37.3 million in non-US dollar denominated cash and cash equivalents (2012: $28.3 million) and £106.0 million cash drawings under the Group's borrowing facilities (2012: £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 $137.5 million (2012: net liabilities of $143.3 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 2013 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 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**

	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 2012							
Non-interest bearing	n/a	101.8	80.8	106.7	3.1	8.9	301.3
Finance lease liabilities	6.5%	–	–	3.3	13.4	32.2	48.9
Variable interest rate instruments	7.7%						
Principal repayments		–	–	–	750.3	568.4	1,318.7
Interest charge		4.2	8.4	38.1	192.8	44.5	288.0
		106.0	89.2	148.1	959.6	654.0	1,956.9

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.

		Equity		Foreign currency denominated liabilities and equity	
	Market movement	**2013 $m**	2012 $m	**2013 $m**	2012 $m
Interest rate	25 basis points	**3.8**	0.2	**–**	–
Interest rate	(25) basis points	**(3.8)**	(0.2)	**–**	–
Brent oil price	10%	**(0.8)**	(7.1)	**–**	–
Brent oil price	(10%)	**1.2**	3.4	**–**	–
UK D-1 Heren and M-1 Heren natural gas price	10%	**–**	(1.0)	**–**	–
UK D-1 Heren and M-1 Heren natural gas price	(10%)	**0.5**	1.3	**–**	–
US$/foreign currency exchange rates	20%	**–**	–	**(29.1)**	(28.5)
US$/foreign currency exchange rates	(20%)	**–**	–	**35.0**	34.3

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	2013 $m	2012 $m
Amounts payable under finance leases:			
– Within one year		**3.3**	3.3
– Within two to five years		**13.7**	13.4
– After five years		**28.5**	32.2
		45.5	48.9
Less future finance charges		**(14.9)**	(17.3)
Present value of lease obligations		**30.6**	31.6
Amount due for settlement within 12 months	20	**1.2**	1.0
Amount due for settlement after 12 months	20	**29.4**	30.6

The fair value of the Group's lease obligations approximates the carrying amount. The average remaining lease term as at 31 December 2013 was 13 years (2012: 14 years). For the year ended 31 December 2013, the effective borrowing rate was 6.5% (2012: 6.5%).

Note 24. Provisions

	Notes	Decommissioning 2013 $m	Other provisions 2013 $m	Total 2013 $m	Decommissioning 2012 $m	Other provisions 2012 $m	Total 2012 $m
At 1 January		**531.6**	**–**	**531.6**	440.8	–	440.8
New provisions and changes in estimates		**274.0**	**136.3**	**410.3**	60.4	–	60.4
Acquisition of subsidiary	9	**18.6**	**10.0**	**28.6**	–	–	–
Decommissioning payments		**(6.7)**	**–**	**(6.7)**	1.1	–	1.1
Unwinding of discount	5	**16.7**	**0.8**	**17.5**	20.3	–	20.3
Transfer to assets held for sale	19	**–**	**–**	**–**	(1.6)	–	(1.6)
Currency translation adjustment		**7.3**	**0.6**	**7.9**	10.6	–	10.6
At 31 December 2013		**841.5**	**147.7**	**989.2**	531.6	–	531.6

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 at the start of 2013 which has been assessed and updated internally for the purposes of the 2013 Financial Statements.

Assumptions, based on the current economic environment, have been made which management believe 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.

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 on acquisition was $104.5 million and subsequent information provided through drilling results during 2013 has resulted in a net uplift of the provision to $131.2 million, which includes a specific write-off of $41.2 million in relation to the Mantra well result in Norway (note 12).

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 2012	(1,151.1)	52.6	1.3	104.4	1.0	(991.8)
(Charge)/credit to income statement	(36.5)	11.1	(0.8)	(44.7)	2.3	(68.6)
Credit to other comprehensive income	–	–	0.1	–	–	0.1
Exchange differences	(14.2)	3.9	–	(0.8)	–	(11.1)
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 31 December 2013	**(1,801.4)**	**137.4**	**0.5**	**69.2**	**7.4**	**(1,586.9)**

	2013 $m	2012 $m
Deferred tax liabilities	**(1,588.0)**	(1,076.3)
Deferred tax assets	**1.1**	4.9
	(1,586.9)	(1,071.4)

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 Number	Equity share capital allotted and fully paid $m	Share premium $m
Ordinary shares of 10 pence each			
At 1 January 2012	904,915,249	146.2	551.8
Issued during the year			
– Shares issued	224,955	–	4.9
– Exercise of share options	2,623,123	0.4	28.1
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 31 December 2013	**909,971,941**	**146.9**	**603.2**

The Company does not have an authorised share capital.

During 2012 224,955 shares were issued in settlement of a $4.9 million obligation of a Group company. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of $nil million ($nil million net of expenses) using the market value at the date of acquisition, to retained earnings, as the premium is considered to be realised.

Note 27. Non-controlling interest

	2013 $m	2012 $m
At 1 January	**92.4**	75.6
Share of profit for the year	**47.1**	41.9
Distribution to non-controlling interests	**(16.0)**	(25.1)
At 31 December	**123.5**	92.4

The non-controlling interest relates to Tulipe Oil SA, where the Group has a 50% controlling shareholding.

Note 28. Share-based payments

Reconciliation of share-based payment charge

	Notes	2013 $m	2012 $m
2005 Performance Share Plan		**24.3**	20.5
2005 Deferred Share Bonus Plan		**2.6**	2.1
2010 Share Option Plan and 2000 Executive Share Option Scheme		**37.1**	24.8
UK & Irish Share Incentive		**0.6**	0.5
Total share-based payment charge		**64.6**	47.9
Capitalised to intangible and tangible assets		**23.3**	15.3
Expensed to operating costs	4	**1.8**	2.0
Expensed as administrative cost	4	**39.5**	30.6
Total share-based payment charge		**64.6**	47.9

2005 Performance Share Plan (PSP)

Under the PSP, senior executives can be granted nil exercise price options (normally exercisable between three to 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 have been 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 and 2012) 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 and 2012) 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 measurement in the Directors' Remuneration Report on pages 98 to 115.

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 is deferred into shares. Awards normally vest following the end of three financial years commencing with that in which they are granted. They are granted as nil exercise price options, normally exercisable from when they vest until 10 years from grant. Awards granted before 8 March 2010 as conditional awards to acquire free shares have been converted into nil exercise price options to provide flexibility to participants.

2010 Share Option Plan (2010 SOP) and 2000 Executive Share Option Scheme (2000 ESOS)

The only share option scheme operated by the Company during the year was the 2010 SOP. Options have an exercise price equal to market value shortly before grant and normally only become exercisable from the third anniversary of the date of the grant.

Options granted prior to 2011 were granted under the 2000 ESOS on very similar terms except that their exercise was subject to a performance condition. These awards are tested against constituents of the FTSE 100 index (excluding investment trusts) and 100% of awards will vest if the Company's TSR is above the median of the index companies over three years following grant.

Options outstanding at 31 December 2013 had exercise prices of 103p to 1530p (2012: 85p to 1530p) and remaining contractual lives of one to ten years.

During the year phantom options were granted 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.

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 when they are awarded (so that their accounting charge is not spread beyond the year in which they are awarded).

The following table illustrates the number and average weighted share price ("WAEP") at grant or weighted average exercise price 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
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**
2012 PSP – number of shares	5,857,534	2,377,392	(395,002)	(12,250)	7,827,674	
2012 PSP – average weighted share price at grant	1116.0	1461.7	818.5	1314.7	1235.7	
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**
2012 DSBP – number of shares	367,877	150,526	–	–	518,403	
2012 DSBP – average weighted share price at grant	980.0	1480.0	–	–	1125.2	
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**
2012 SOP/ESOS – number of shares	14,723,518	3,667,026	(2,228,121)	(689,069)	15,473,354	6,194,510
2012 SOP/ESOS – WAEP	845.0	1494.6	555.7	1244.9	1024.0	465.7
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**
2012 Phantoms – number of phantom shares	–	–	–	–	–	–
2012 Phantoms – WAEP	–	–	–	–	–	–

Note 28. Share-based payments continued

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.

The following table details the weighted average fair value of awards granted and the assumptions used in the fair value expense calculations.

	2013 PSP	2012 PSP	**2013 DSBP**	2012 DSBP	**2013 SOP/ESOS[1]**	2012 SOP/ESOS
Weighted average fair value of awards granted	**438.9p**	748.6p	**1205.4p**	1444.4p	**319.5p**	619.8p
Weighted average share price at exercise for awards exercised	**1079.7p**	1430.7p	**1066.0p**	–	**1037.7p**	1470.0p
Principal inputs to options valuations model:						
Weighted average share price at grant	**1227.8p**	1461.7	**1241.0p**	1480.0p	**1120.3p**	1477.4p
Weighted average exercise price	**0.0p**	0.0p	**0.0p**	0.0p	**1223.7p**	1494.6p
Risk-free interest rate per annum	**0.4%**	0.6%	**0.4%**	0.6%	**1.0 – 1.7%**	0.5 – 1.0%
Expected volatility per annum[2]	**35%**	36%	**35%**	36%	**33 – 34%**	46 – 48%
Expected award life (years)[3]	**3.0**	3.0	**3.0**	3.0	**4.4**	4.3
Dividend yield per annum	**1.0%**	0.8%	**1.0%**	0.8%	**1.0 – 1.4%**	0.8 – 0.9%
Employee turnover before vesting per annum[4]	**5% / 0%**	5% / 0%	**0%**	0%	**5%**	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 awards made to Directors, 5% for PSP awards to senior employees.

Note 29. Commitments and contingencies

		2013 $m	2012 $m
Capital commitments		**2,737.7**	580.3
Operating lease commitments			
Due within one year		**21.4**	10.6
After one year but within two years		**13.2**	7.8
After two years but within five years		**25.0**	21.6
Due after five years		**64.2**	70.1
		123.8	110.1
Contingent liabilities			
Performance guarantees		**183.5**	154.9
Ugandan CGT		**399.0**	–
Recoverable security received from Heritage Oil and Gas Limited	15	**345.8**	–
Other contingent liabilities		**6.5**	–
		934.8	154.9

The increase in capital commitments from 2012 is largely as result of the TEN project in Ghana, where the FPSO lease has been entered into along with other key service and construction contracts in respect of field development. 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 have determined that there is a possible chance (less than 50% but greater than 5%) that both Ugandan Tax Tribunal and International Arbitration will not award in Tullow's favour. The current best estimate of the potential exposure is $399 million.

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.

	2013 $m	2012 $m
Short-term employee benefits	**9.9**	9.1
Post-employment benefits	**1.1**	1.1
Amounts awarded under long-term incentive schemes	**4.1**	2.9
Share-based payments	**11.2**	9.5
	26.3	22.6

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).

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 98 to 115.

Note 31. Subsequent events
Since the balance sheet date Tullow has continued its exploration and appraisal, development and portfolio management activities.

In January 2014, Tullow announced oil discoveries at the Amosing-1 and Ewoi-1 exploration wells in Block 10BB onshore northern Kenya. As a result of these latest successes, Tullow updated its estimate of discovered resources in this basin to over 600 mmbo.

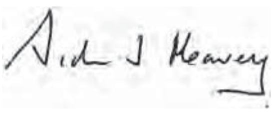
On 5 February 2014 a Memorandum of Understanding was signed between the Government of Uganda and Tullow, Total and CNOOC agreeing a basin wide commercialisation plan for the Lake Albert Basin.

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 $15.8 million (2012: $13.1 million). As at 31 December 2013, there was a liability of $1.1 million (2012: $0.8 million) for contributions payable included in creditors.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2013

	Notes	2013 $m	2012 $m
Fixed assets			
Investments	1	**3,851.4**	2,997.2
		3,851.4	2,997.2
Current assets			
Debtors	4	**3,602.6**	2,836.5
Cash at bank		**0.9**	39.3
		3,603.5	2,875.8
Creditors – amounts falling due within one year			
Trade and other creditors	5	**(181.9)**	(411.4)
		(181.9)	(411.4)
Net current assets		**3,421.6**	2,464.4
Total assets less current liabilities		**7,273.0**	5,461.6
Creditors – amounts falling due after more than one year			
Borrowings	6	**(1,995.0)**	(1,173.6)
Loans from subsidiary undertakings	7	**(1.3)**	(1.1)
Net assets		**5,276.7**	4,286.9
Capital and reserves			
Called up equity share capital	8	**146.9**	146.6
Share premium account	8	**603.2**	584.8
Other reserves	10	**850.8**	850.8
Profit and loss account	9	**3,675.8**	2,704.7
Shareholders' funds	9	**5,276.7**	4,286.9

Approved by the Board and authorised for issue on 11 February 2014.



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 $1,087.0 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 129.

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 Company 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 Company's portfolio of producing fields and delays in development projects. In addition to the Company's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Company. The Company's forecasts, taking into account reasonably possible changes as described above, show that the Company 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 2013 Annual Report and Accounts.

(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.

Note 1. Investments

	2013 $m	2012 $m
Shares at cost in subsidiary undertakings	**3,850.4**	2,996.2
Unlisted investments	**1.0**	1.0
	3,851.4	2,997.2

During 2013 an impairment of $96.0 million (2012: $366.1 million) was recorded against the Company's investments in subsidiaries to fund losses incurred by Group service companies. A further reduction of $nil million (2012: $1,484.7 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 subsidiary undertakings

At 31 December 2013 the Company's principal 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.

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

	2013 $m	2012 $m
Declared and paid during year		
Final dividend for 2012: 8 pence (2011: 8 pence) per ordinary share	**110.6**	115.4
Interim dividend for 2013: 4 pence (2012: 4 pence) per ordinary share	**56.8**	57.8
Dividends paid	**167.4**	173.2
Proposed for approval by shareholders at the AGM		
Final dividend for 2013: 8 pence (2012: 8 pence)	**120.0**	117.4

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements.

Note 3. Deferred tax

The Company has tax losses of $396.0 million (2012: $448.2 million) that are available indefinitely for offset against future non-ring-fenced taxable profits in the Company. A deferred tax asset of $nil million (2012: $nil million) 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

	2013 $m	2012 $m
Other debtors	**0.2**	5.2
Due from subsidiary undertakings	**3,602.4**	2,831.3
	3,602.6	2,836.5

The amounts due from subsidiary undertakings include $2,323.2 million (2012: $1,889.1 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 nil (2012: $78.1 million) 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

	2013 $m	2012 $m
Other creditors	**5.4**	11.1
Accruals	**0.8**	1.1
Due to subsidiary undertakings	**175.7**	399.2
	181.9	411.4

Note 6. Borrowings

	2013 $m	2012 $m
Non-current		
Term loans repayable		
– After one year but within two years	–	–
– After two years but within five years	445.0	621.1
– After five years	906.0	552.5
Senior notes due 2020	644.0	–
	1,995.0	1,173.6
Carrying value of total borrowings	1,995.0	1,173.6
Accrued interest and unamortised fees	107.0	145.1
External borrowings	2,102.0	1,318.7

Term loans and most guarantees 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 2013 was as follows:

	US$ $m	Euro $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 profile at 31 December 2012 for comparison purposes was as follows:

	US$ $m	Euro $m	Stg $m	Other $m	Total $m
Fixed rate debt	(50.0)	–	–	–	(50.0)
Floating rate debt	(1,097.1)	–	(171.6)	–	(1,268.7)
Amounts due to subsidiaries at LIBOR + 3.6%	(113.8)	–	–	–	(113.8)
Cash at bank at floating interest rate	25.6	13.3	–	0.4	39.3
Amounts due from subsidiaries at LIBOR + 3.7%	1,823.9	–	–	65.2	1,889.1
Net cash/(debt)	588.6	13.3	(171.6)	65.6	495.9

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.

The $500 million Revolving credit facility is repayable in full on 29 November 2014. The facility incurs interest on outstanding debt at US dollar LIBOR plus an applicable margin.

In November 2013 the Company completed an offering of $650 million aggregate principal amount of 6% senior notes due 2020. Interest on the notes is payable semi-annually. The 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 guaranteed by certain of the Company's subsidiaries.

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. At the end of December 2012, the headroom under the facilities amounted to $2,202 million; $1,702 million under the Reserves Based Lending credit facility and $500 million under the Revolving credit facility.

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 2013 is a liability of $2.3 million (2012: $2.9 million liability). Interest rate hedges are included in fixed rate debt in the above table.

As at 31 December 2013, 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 (2012: £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 $174.8 million (2012: net liabilities of $171.6 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 2013, 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 $29.1 million (2012: $28.5 million) while a 20% decrease would have resulted in an increase in foreign currency denominated liabilities and equity of $35.0 million (2012: $34.3 million).

Note 7. Loans from subsidiary undertakings

Amounts falling due after more than one year

	2013 $m	2012 $m
Loans from subsidiary companies	**1.3**	1.1

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 2012	904,915,249	146.2	551.8
Issues during the year			
– Shares issued	224,955	–	4.9
– Exercise of share options	2,623,123	0.4	28.1
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 31 December 2013	**909,971,941**	**146.9**	**603.2**

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 2012	146.2	551.8	850.8	2,277.2	3,826.0
Total recognised income and expense for the year	–	–	–	561.9	561.9
Issue of share capital	–	4.9	–	–	4.9
New shares issued in respect of employee share options	0.4	28.1	–	–	28.5
Vesting of PSP shares	–	–	–	(9.1)	(9.1)
Share-based payment charges	–	–	–	47.9	47.9
Dividends paid	–	–	–	(173.2)	(173.2)
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 31 December 2013	**146.9**	**603.2**	**850.8**	**3,675.8**	**5,276.7**

During 2012 224,955 shares were issued in settlement of a $4.9 million obligation of a Group company. In accordance with the provisions of Section 612 of the Companies Act 2006, the Company has transferred the premium on the shares issued of $nil million ($nil million net of expenses) using the market value at the date of acquisition, to retained earnings, as the premium is considered to be realised.

Note 10. Other reserves

	Merger reserve $m	**Treasury shares $m**	**Foreign currency translation reserve $m**	**Total $m**
At 1 January 2013 and 31 December 2013	**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

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

In January 2014, Tullow announced oil discoveries at the Amosing-1 and Ewoi-1 exploration wells in Block 10BB onshore northern Kenya. As a result of these latest successes, Tullow updated its estimate of discovered resources is this basin to over 600 mmbo.

On 5 February 2014 a Memorandum of Understanding was signed between the Government of Uganda and Tullow, Total and CNOOC agreeing a basin wide commercialisation plan for the Lake Albert Basin.

	2013 $m	2012 $m	*Restated 2011 $m	*Restated 2010 $m	*Restated 2009 $m
Group income statement					
Sales revenue	**2,646.9**	2,344.1	2,304.2	1,089.8	915.9
Cost of sales	**(1,206.5)**	(999.3)	(930.8)	(584.1)	(608.0)
Gross profit	**1,440.4**	1,344.8	1,373.4	505.7	307.9
Administrative expenses	**(218.5)**	(191.2)	(122.8)	(89.6)	(77.6)
Profit on disposal	**29.5**	702.5	2.0	0.5	20.9
Exploration costs written off	**(870.6)**	(670.9)	(120.6)	(154.7)	(82.7)
Operating profit	**350.8**	1,185.2	1,132.0	261.9	168.5
(Loss)/profit on hedging instruments	**(19.7)**	(19.9)	27.2	(27.7)	(59.8)
Finance revenue	**43.7**	9.6	36.6	15.1	2.1
Finance costs	**(91.6)**	(59.0)	(122.9)	(70.1)	(60.8)
Profit from continuing activities before taxation	**313.2**	1,115.9	1,072.9	179.2	50.0
Taxation	**(97.1)**	(449.7)	(383.9)	(89.7)	(1.9)
Profit for the year from continuing activities	**216.1**	666.2	689.0	89.5	48.1
Earnings per share					
Basic – ¢	**18.6**	68.8	72.5	8.1	5.4
Diluted – ¢	**18.5**	68.4	72.0	8.0	5.3
Dividends paid	**167.4**	173.2	114.2	79.2	75.3
Group balance sheet					
Non-current assets	**9,439.3**	8,087.6	9,463.5	7,077.0	4,372.8
Net current assets/(liabilities)	**637.0**	65.4	(361.2)	(150.2)	139.9
Total assets less current liabilities	**10,076.3**	8,153.0	9,102.3	6,926.8	4,512.7
Long-term liabilities	**(4,629.9)**	(2,831.4)	(4,336.3)	(3,023.4)	(2,064.2)
Net assets	**5,446.4**	5,321.6	4,766.0	3,903.4	2,448.5
Called up equity share capital	**146.9**	146.6	146.2	143.5	130.1
Share premium	**603.2**	584.8	551.8	251.5	242.3
Foreign currency translation reserve	**(155.1)**	(167.8)	(175.5)	(141.0)	(129.6)
Hedge reserve	**2.3**	(6.5)	(14.3)	(25.7)	3.2
Other reserves	**740.9**	740.9	740.9	740.9	740.9
Retained earnings	**3,984.7**	3,931.2	3,441.3	2,873.6	1,419.5
Equity attributable to equity holders of the parent	**5,322.9**	5,229.2	4,690.4	3,842.8	2,406.4
Non-controlling interest	**123.5**	92.4	75.6	60.6	42.1
Total equity	**5,446.4**	5,321.6	4,766.0	3,903.4	2,448.5

* The 2011 figures have been restated to reflect the adjustment to business combination fair values. The 2010 and 2009 comparatives have been restated due to a change in the inventory accounting policy.

WEST & NORTH AFRICA

Licence	Fields	Area sq km	Tullow 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
CI-103		702	30.00%	Tullow	Anadarko, 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[1]		4,414	35.00%[2]	Perenco	ExxonMobil
Avouma	Avouma, South Tchibala	52	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
DE7		2,188	28.60%	Perenco	
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
Gwedidi	Gwedidi	5	7.50%[3]	Maurel & Prom	AIC Petrofi
Kiarsseny Marin		5,442	52.78%	Tullow	Addax (Sinopec)
Limande	Limande	54	40.00%	Perenco	
Mbigou	Mbigou	5	7.50%[3]	Maurel & Prom	AIC Petrofi
Niungo	Niungo	96	40.00%	Perenco	
Nziembou		1,027	40.00%	Perenco	Total
Oba	Oba	44	5.00%[3]	Perenco	AIC Petrofi
Obangue	Obangue	40	3.75%[3]	Addax (Sinopec)	AIC Petrofi
Omko	Omko	16	7.50%[3]	Maurel & Prom	AIC Petrofi
Onal	Onal, Maroc Nord	46	7.50%[3]	Maurel & Prom	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
Tsiengui	Tsiengui	26	3.75%[3]	Addax (Sinopec)	AIC Petrofi
Turnix	Turnix	18	27.50%	Perenco	
Back-In Rights[4]					
Dussafu Marin		2,780	5.00%[5]	Harvest Natural Resources	Pan-Petroleum
Etame Marin		2,972	7.50%	Vaalco	Addax (Sinopec), Sasol, Sojitz, PetroEnergy
Maghena		631	3.75%[5]	Addax (Sinopec)	
Nyanga Mayombe		2,831	3.75%[5]	Maurel & Prom	
Omoueyi		4,133	7.50%[5]	Maurel & Prom	
Ghana					
Deepwater Tano	Wawa	831	49.95%	Tullow	Kosmos, Anadarko, GNPC, PetroSA
Ten Development Area[6]	Tweneboa, Enyenra, Ntomme		47.18%[6]		
West Cape Three Points	Jubilee	459	26.40%	Kosmos	Anadarko, GNPC, PetroSA
Jubilee Field Unit Area[7]	Jubilee		35.48%	Tullow	Kosmos, Anadarko, GNPC, PetroSA
Guinea					
Offshore Guinea (Deepwater)		18,746	40.00%	Tullow	SCS, Dana

WEST & NORTH AFRICA continued

Licence	Fields	Area sq km	Tullow Interest	Operator	Other Partners
Liberia					
LB–15		2,550	25.00%	Anadarko	Repsol
Mauritania					
Block C-3		9,825	90.00%	Tullow	SMH
Block C-6		4,300	88.00%	Tullow	Petronas
Block 7		7,300	36.15%	Dana	Petronas, GDF Suez
Block C-10		10,725	59.15%	Tullow	Premier, Kufpec, Petronas, SMH
Block C-18		13,225	90.00%	Tullow	SMH
PSC A (Banda)		161	66.83%	Tullow	Premier, Kufpec, Petronas
PSC B (Tevet)		99	64.14%	Tullow	Premier, Kufpec, Petronas
PSC B (Chinguetti EEA)	Chinguetti	31	22.26%	Petronas	SMH, Premier, Kufpec
Sierra Leone					
SL-07B-11		5,081	20.00%	Anadarko	Repsol

SOUTH & EAST AFRICA

Licence	Fields	Area sq km	Tullow Interest	Operator	Other Partners
Ethiopia					
South Omo		22,288	50.00%	Tullow	Africa Oil, Marathon
Kenya					
Block 10BA		21,098	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	100.00%	Tullow	
Berenty (Block 3111)		7,492	100.00%	Tullow	
Mozambique					
Block 2 & Block 5		7,800	25.00%	Statoil	ENH, Inpex
Namibia					
Production Licence 003	Kudu	4,567	31.00%	Tullow	NAMCOR, Itochu
PEL 0037 (Blocks 2112A,B 2113B)		17,295	65.00%	Tullow	Pancontinental, Paragon
Uganda					
Exploration Area 1 (Jobi-Rii)	Jobi-Rii	598	33.33%	Total	CNOOC
Exploration Area 1A		90	33.33%	Total	CNOOC
Exploration Area 2	Mputa, Waraga Kasamene	1,025	33.33%	Tullow	CNOOC, Total
Production Licence 1/12	Kingfisher	344	33.33%	CNOOC	Total

Notes:
1. Tullow has 'Back-In Rights' on this licence as well as a working interest.
2. Tullow has the option to acquire an additional interest in this licence through its 50% holding in Tulipe Oil SA.
3. Tullow's interest in this licence is held through its 50% holding in Tulipe Oil SA.
4. Back-In Rights: Tullow has the option, in the event of a development, to acquire varying interests in these licences.
5. Tullow has the option to acquire an interest in this licence through its 50% holding in Tulipe Oil SA.
6. 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%.
7. A unitisation agreement has been agreed by the partners of the West Cape Three Points and Deepwater Tano licences for the area covering the Jubilee Field Phase 1 Development Area.

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 44/22b	Murdoch Boulton H[8]	89	34.00%	ConocoPhillips	GDF Suez
P452	44/23a (part)	Murdoch K[8]	48	6.91%	ConocoPhillips	GDF Suez
P453	44/28b	Ketch	85	100.00%	Tullow	
P516	44/26a	Schooner[9]	99	100.00%	Tullow	
P1006	44/17b	Munro[10]	48	20.00%	ConocoPhillips	GDF Suez
P1058	44/18b 44/23b	 Kelvin	46	22.50%	ConocoPhillips	GDF Suez
P1139	44/19b	Katy	30	22.50%	ConocoPhillips	GDF Suez
CMS III Unit[11]	44/17a (part) 44/17c (part) 44/21a (part) 44/22a (part) 44/22b (part) 44/22c (part) 44/23a (part)	Boulton H Hawksley McAdam Murdoch K		14.10%	ConocoPhillips	GDF Suez
Munro Unit[11]	44/17b 44/17a	Munro		15.00%	ConocoPhillips	GDF Suez
Schooner Unit[11]	44/26a 43/30a	Schooner		93.10%	Tullow	Faroe Petr
Thames Area						
P007	49/24aF1 (Excl Gawain)		163	100.00%	Tullow	
	49/24aF1 (Gawain)	Gawain[12]		50.00%	Perenco	
P037	49/28a 49/28b	Thames, Yare Bure, Deben Wensum	90	66.67%	Perenco	Centrica
	49/28a (part)	Thurne		86.96%	Tullow	Centrica
P039	53/04d	Wissey	29	62.50%	Tullow	First Oil, Faroe Petr
P105	49/29a (part)	Gawain[12]	17	50.00%	Perenco	
P786	53/03c	Horne	8	50.00%	Tullow	Centrica
P852	53/04b	Horne & Wren	17	50.00%	Tullow	Centrica
P1915	49/21c		157	33.33%	Bridge Energy	
Gawain Unit[11]	49/24F1 (Gawain) 49/29a (part)	Gawain		50.00%	Perenco	
Northern North Sea						
P1972	3/9e 3/10a 3/15b		65	43.00%	MOL	

EUROPE, SOUTH AMERICA & ASIA continued

Licence / Unit Area	Blocks	Fields	Area Sq Km	Tullow Interest	Operator	Other Partners
Greenland						
Block 9 (Tooq)			11,802	40.00%	Maersk	Nunaoil
Norway						
North Sea						
PL 053B	30/6	Brage[13]	8	2.50%	Wintershall	Talisman, Faroe Petr, Core Energy, VNG
PL 055	31/4	Brage[13]	122	2.50%	Wintershall	Talisman, Faroe Petr, Core Energy, VNG
PL 055B	31/4	Brage[13]	5	2.50%	Wintershall	Talisman, Faroe Petr, Core Energy, VNG
PL 055D	31/4		22	2.50%	Wintershall	Talisman, Faroe Petr, Core Energy, VNG
PL 185	31/7	Brage[13]	26	2.50%	Wintershall	Talisman, Faroe Petr, Core Energy, VNG
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	17/9, 17/12		202	20.00%	Premier	Kufpec
PL 495	7/2, 7/4, 7/5, 7/8		1,165	40.00%	Lundin	
PL 495B	7/1		100	40.00%	Lundin	
PL 507	25/2, 25/3 30/11, 30/12 31/10 (parts)		1,003	70.00%[14]	Tullow	Explora, Ithaca[14]
PL 550	31/1, 31/2		469	80.00%[14]	Tullow	Det norske, VNG[14]
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
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 731	8/10		56	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
Brage Unit[15]	31/4, 31/7 30/6	Brage		2.50%	Wintershall	Talisman, Faroe Petr, Core Energy, VNG

Notes:

8. Refer to CMS III Unit for field interest.
9. Refer to Schooner Unit for field interest.
10. Refer to Munro Unit for field interest.
11. 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.
12. Refer to Gawain Unit for field interest.
13. Refer to Brage Unit for field interest.
14. Interest on completion of deal, which is subject to government approval.
15. The Brage field unitised area covers parts of licences – PL053B, PL055, PL055B and PL185.

EUROPE, SOUTH AMERICA & ASIA continued

Licence	Blocks	Fields	Area Sq Km	Tullow Interest	Operator	Other Partners
Norway continued						
Norwegian Sea						
PL 511	6406/5, 6406/6 6406/9		458	10.00%	Wintershall	Maersk, Petoro, VNG, Bridge Energy
PL 519	6201/11, 6201/12 (parts)		527	20.00%	Lundin	Bayerngas, Noreco
PL 583	6306/6, 6306/7 6306/8, 6306/9		1,021	30.00%	Tullow	Svenska, Lundin, Bayerngas
PL 591	6507/8, 6507/9 6507/11		207	60.00%	Tullow	Noreco
PL 591B	6507/8		53	60.00%	Tullow	Noreco
PL 596	6301/3, 6302/1 6302/2, 6302/3 6401/12 6402/10, 6402/11		3,184	15.00%	Exxon Mobil	E. ON, RWE, Bayerngas
PL 639	6201/7, 6201/8 6201/10, 6201/11		602	30.00%	Tullow	Lundin, Petoro, Bayerngas, Noreco
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%	Tullow	Repsol
PL 755	6507/8, 6507/11		136	20.00%	Statoil	Noreco, Centrica
Barents Sea						
PL 438	7120/1, 7120/2 7120/3, 7120/4 7120/5, 7120/6		462	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%[16]	GDF Suez	Rocksource
PL 659	7121/3 7122/1, 7122/2 7221/12 7222/10, 7222/11 7222/12		1,462	15.00%[16]	Det norske	Lundin, Petoro, Rocksource
PL 695	7018/3, 7018/6 7019/1		590	40.00%	Lundin	Petoro
PL 709	7224/6, 7225/4		476	40.00%	Det norske	GDF Suez
PL 710	7218/12, 7219/10, 7219/11		956	20.00%	Total	Maersk, GDF Suez
PL 722	7322/6 7323/4		586	30.00%	GDF Suez	North Energy, Rocksource

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[17]	39	4.69%	Wintershall	Dana, GDF Suez, EBN
E15b	E18-A[17]	21	21.12%	Wintershall	Dana, EBN
E15c		343	50.00%	Tullow	Gas Plus, EBN
E18a	K3-A[17], E18-A[17], F16-E[17]	212	17.60%	Wintershall	Dana, EBN
E18b		192	60.0%	Tullow	EBN
F13a	F16-E[17]	4	4.69%	Wintershall	Dana, GDF Suez, EBN
K8, K11		820	22.50%	NAM	Oranje Nassau, Wintershall, EBN
L12a[18]	L12-B[18]	119	22.50%	GDF Suez	Oranje Nassau, Wintershall, EBN
L12b[18], L15b[18]	L12-C[18], L15-A[18]	92	15.00%	GDF Suez	Wintershall, EBN
L12c		30	45.00%	Tullow	EBN, Wintershall
L12d		225	52.50%	Tullow	EBN, Wintershall, Oranje Nassau
L13		413	22.50%	NAM	EBN, Wintershall, Oranje Nassau
L15d		62	45.00%	Tullow	EBN, Wintershall
Q4	Q4-A, Q1-B[17], Q4-B[17]	417	19.80%	Wintershall	Dyas, EBN
Q5d		21	10.00%	Wintershall	Dyas, EBN
Joint Development Area (JDA)[19] K7, K8, K11, K14, K15, L13	Over 31 fields		9.95%	NAM	Oranje Nassau, Wintershall, EBN

SOUTH AMERICA

Licence / Blocks	Fields	Area sq km	Tullow Interest	Operator	Other Partners
French Guiana					
Guyane Maritime		24,100	27.50%	Shell	Total, Northpet Investments
Guyana					
Kanuku		6,525	30.00%	Repsol	
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

Licence / Blocks	Fields	Area sq km	Tullow Interest	Operator	Other Partners
Pakistan[20]					
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	Shekhan	1,107	40.00%	OGDCL	MGCL, SEL
Kohlu		2,459	30.00%	OGDCL	MGCL

Notes:

16. Interest on completion of deal, which is subject to government approval.
17. 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%.
18. Interests in fields L12-B, L12-C & L15-A have been unitised. The 2014 producing interest is 16.13807%.
19. Interests in blocks K7, K8, K11, K14, K15 and L13 have been unitised. The six blocks are known as the Joint Development Area.
20. Tullow has agreed the sale of its Pakistan assets, the deal is subject to government approval.

	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 2012	339.6	16.5	–	–	1.4	265.9	341.0	282.4	388.0
Revisions	9.6	4.7	–	–	(0.1)	8.2	9.5	12.9	11.7
Acquisitions	–	–	–	–	0.5	0.7	0.5	0.7	0.6
Transfer from CR	–	157.7	–	–	–	–	–	157.7	26.3
Disposals	–	–	–	–	(0.2)	(80.5)	(0.2)	(80.5)	(13.6)
Production	(23.2)	(3.0)	–	–	(0.3)	(39.7)	(23.5)	(42.7)	(30.6)
31 December 2013	326.0	175.9	–	–	1.3	154.6	327.3	330.5	382.4
Contingent resources									
31 December 2012	77.2	1,363.8	381.5	360.7	36.6	192.2	495.3	1,916.7	814.8
Revisions	28.3	22.3	103.7	2.3	–	–	132.0	24.6	136.1
Acquisitions	–	–	–	–	19.8	–	19.8	–	19.8
Additions	–	–	34.1	–	51.8	–	85.9	–	85.9
Disposals	–	–	–	–	–	(23.5)	–	(23.5)	(3.9)
Transfers to commercial reserves	–	(157.7)	–	–	–	–	–	(157.7)	(26.3)
31 December 2013	105.5	1,228.4	519.3	363.0	108.2	168.7	733.0	1,760.1	1,026.4
Total									
31 December 2013	431.5	1,404.3	519.3	363.0	109.5	323.3	1,060.3	2,090.6	1,408.8

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 transfer from contingent resources to commercial reserves is in relation to the completion of a Gas Sales Agreement in Ghana for the TEN development.
4. The South and East Africa additions and revisions to contingent resources relates to exploration and appraisal activity in Kenya and Uganda.
5. The Europe, South America and Asia acquisitions relate to the acquisition of Spring Energy in Norway, which completed in January 2013.
6. The Europe, South America and Asia additions to contingent resources relates to the Wisting discovery in 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 349.1 mmboe at 31 December 2013 (31 December 2012: 349.6 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

Part of our commitment to creating shared prosperity is to ensure that there is transparent disclosure of payments to governments in the countries in which we operate. In 2012, we acted ahead of regulatory developments and published our tax and other payments to governments and other major stakeholders in our annual CR Report. The revised EU Accounting Directive will require all companies in the extractive sector to disclose tax payments to governments at a project or company level as appropriate, by 2015. EU member states are in the process of developing legislation in response and the UK is expected to have this in place in 2014.

This year, we have aligned our disclosure with the EU Directive through three key changes: reporting our tax disclosure on a cash basis; disclosing payments where they have arisen; and disclosing category level payments on production entitlements, income taxes and royalties, among others.

For a fuller understanding of the payments we make to the governments of our host countries, we have provided voluntary disclosure on VAT, withholding tax, PAYE and other taxes. See page 52 for our total economic contribution to all stakeholders. Detailed disclosure on our 2013 and 2012 tax payments can be found on pages 176 to 179.

The European transparency directive information disclosed on pages 176 to 179 has been prepared in accordance with the EU Directive. Payments are disclosed based on where the obligation for the payment arose such that where a payment arose at a project level it has been disclosed at a project level and where payment arose at a corporate level it has been disclosed on that basis. However, where a payment or a series of related payments do not exceed €100,000 they are disclosed at a corporate level, in accordance with the Directive.

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 the below payments.

1. Ghana payments in respect to production entitlements and licence fees are paid to the Ghana National Oil Company.
2. Bangladesh payments in respect to production entitlements and licence fees are paid to the Bangladesh National Oil Company.

Production entitlements in barrels includes non-cash royalties and state 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.

All payments other than production entitlements are disclosed on a cash basis; this differs from the transparency disclosure included in the 2012 Corporate Social Responsibility Report whereby payments were disclosed on an accounting basis.

Oil payments in kind have been multiplied by the 2013 average realised oil price $105.7/bbl. Gas payments in kind in USD have been multiplied by the Bangora 2013 average gas realised price $2.3/mmcf.

The voluntary disclosure has been prepared on a corporate level. Income taxes do not include fines and penalties.

Summary table

	Production entitlements		European transparency directive disclosure		Voluntary disclosure		Total (including production entitlements)	
	2013 bbl (000s)	2012 bbl (000s)	**2013 USD (000s)**	2012 USD (000s)	**2013 USD (000s)**	2012 USD (000s)	**2013 USD (000s)**	2012 USD (000s)
West and North Africa	**3,263**	2,325	**379,444**	125,974	**110,288**	89,497	**834,631**	466,477
South and East Africa	**–**	–	**5,313**	142,826	**41,376**	43,093	**46,689**	185,919
Total Africa	**3,263**	2,325	**384,757**	268,800	**151,664**	132,590	**881,320**	652,396
Europe, South America and Asia	**505**	601	**(65,209)**	(38,804)	**47,311**	74,190	**(10,927)**	43,685
Total Group	**3,768**	2,926	**319,548**	229,996	**198,975**	206,780	**870,393**	696,081

	European transparency directive disclosure							
Licence / Corporate level	Production entitlements bbl (000s)	Production entitlements USD (000s)	Income taxes USD (000s)	Royalties (cash only) USD (000s)	Dividends USD (000s)	Bonus payments USD (000s)	Licence fees USD (000s)	Infrastructure improvement payments USD (000s)
M'Boundi	294	–	–	–	–	–	–	–
Total Congo	294	–	–	–	–	–	–	–
CI-26 Espoir	282	11,379	–	–	–	–	–	–
Corporate	–	–	–	–	–	–	–	367
Total Cote d'Ivoire	282	11,379	–	–	–	–	–	367
Ceiba	202	–	–	–	–	–	–	–
Okume Complex	508	–	–	–	–	–	–	–
Corporate	–	–	139,039	–	–	–	–	–
Total Equatorial Guinea	710	–	139,039	–	–	–	–	–
Echira	–	–	–	2,153	–	–	–	–
Etame	152	–	–	–	–	–	–	–
Limande	–	–	–	8,960	–	–	–	–
Niungo	–	–	–	5,967	–	–	–	–
Tchatamba	533	–	–	12,618	–	–	–	–
Turnix	-	–		1,366	–	–	–	–
Corporate – Tullow Oil Gabon SA	-	–	62,050	–	–	–	63	–
Oba	–	–	–	2,406	–	–	–	–
Obangue	21	–	–	–	–	–	–	–
Onal	314	–	–	5,446	–	–	–	–
Tsiengui	76	–	–	–	–	–	–	–
Corporate – Tulipe Oil SA	-	–	8,994	–	–	–	–	–
Total Gabon	1,096	–	71,044	38,916	–	–	63	–
Jubilee	812	–	–	–	–	–	–	5,268
Company level	–	–	106,909	–	–	–	64	688
Total Ghana	812	–	106,909	–	–	–	64	5,956
Company level	–	–	–	–	–	–	–	–
Total Guinea	–	–	–	–	–	–	–	–
Block 1	–	–	–	–	–	2,000	–	–
Block C-3	–	–	–	–	–	1,600	–	–
Block C-6	–	–	–	–	–	1,760	–	–
PSC B (Chinguetti EEA)	69	–	–	–	–	–	258	–
Corporate	–	–	–	–	–	–	89	–
Total Mauritania	69	–	–	–	–	5,360	347	–
South Omo	–	–	–	–	–	–	176	–
Corporate	–	–	–	–	–	–	–	107
Total Ethiopia	–	–	–	–	–	–	176	107
Corporate	–	–	–	–	–	–	212	–
Total Kenya	–	–	–	–	–	–	212	–
Corporate	–	–	–	–	–	–	–	–
Total Madagascar	–	–	–	–	–	–	–	–
Corporate	–	–	1	–	–	–	–	–
Total Mozambique	–	–	1	–	–	–	–	–
Production Licence 003	–	–	–	–	–	–	667	–
Company level	–	–	–	–	–	–	–	–
Total Namibia	–	–	–	–	–	–	667	–
Corporate	–	–	1	–	–	–	–	–
Total South Africa	–	–	1	–	–	–	–	–
Corporate	–	–	4,138	–	–	–	11	–
Total Uganda	–	–	4,138	–	–	–	11	–
Block 9	505	–	–	–	–	–	–	–
Total Bangladesh	505	–	–	–	–	–	–	–
Corporate	–	–	–	–	–	–	–	–
Total Ireland	–	–	–	–	–	–	–	–
Corporate	–	–	557	–	–	–	625	–
Total Netherlands	–	–	557	–	–	–	625	–
Corporate	–	–	(105,689)	–	–	–	75	–
Total Norway	–	–	(105,689)	–	–	–	75	–
Corporate	–	–	93	2	–	–	25	14
Total Pakistan	–	–	93	2	–	–	25	14
Corporate	–	–	–	–	–	–	–	–
Total Suriname	–	–	–	–	–	–	–	–
Ketch	–	–	–	–	–	–	718	–
Schooner	–	–	–	–	–	–	867	–
Corporate	–	–	25,698	–	–	–	700	11,106
Total UK	–	–	25,698	–	–	–	2,285	11,106
Corporate	–	–	–	–	–	–	–	–
Total Uruguay	–	–	–	–	–	–	–	–
TOTAL	**3,768**	**11,379**	**241,791**	**38,918**	**–**	**5,360**	**4,550**	**17,550**

Voluntary disclosure							
VAT USD (000s)	Withholding tax USD (000s)	PAYE & national insurance USD (000s)	Carried interests USD (000s)	Customs duties USD (000s)	Training allowances USD (000s)	TOTAL USD (000s)	TOTAL bbl (000s)
–	–	–	–	–	–	–	294
–	–	–	–	–	–	–	294
–	–	–	–	–	–	11,379	282
–	105	2,408	–	–	–	2,880	–
–	105	2,408	–	–	–	14,259	282
–	–	–	–	–	–	–	202
–	–	–	–	–	–	–	508
–	–	–	–	–	–	139,039	–
–	–	–	–	–	–	139,039	710
–	–	–	–	–	–	2,153	–
–	–	–	–	–	–	–	152
–	–	–	–	–	–	8,960	–
–	–	–	–	–	–	5,967	–
–	–	–	–	–	–	12,618	533
–	–	–	–	–	–	1,366	-
(144)	703	831	–	–	50	63,553	–
–	–	–	–	–	–	2,406	-
–	–	–	–	–	–	-	21
–	–	–	–	–	–	5,446	314
–	–	–	–	–	–	-	76
(5)	4	17	–	–	–	9,010	–
(149)	707	848	–	–	50	111,479	1,096
–	–	–	–	–	–	5,268	812
2,326	61,017	14,734	18,572	4,688	250	209,248	–
2,326	61,017	14,734	18,572	4,688	250	214,516	812
-	-	8	-	-	-	8	–
–	–	8	–	–	–	8	–
–	–	–	–	–	–	2,000	–
–	–	–	–	–	–	1,600	–
–	–	–	–	–	–	1,760	–
–	–	–	–	–	–	258	69
–	2,662	–	–	–	2,062	4,813	–
–	2,662	–	–	–	2,062	10,431	69
–	–	–	–	–	–	176	–
–	232	126	–	–	150	615	–
–	232	126	–	–	150	791	–
1,159	8,919	10,882	–	272	248	21,692	–
1,159	8,919	10,882	–	272	248	21,692	–
291	–	5	–	–	–	296	–
291	–	5	–	–	–	296	–
–	–	–	–	–	–	1	–
–	–	–	–	–	–	1	–
–	–	–	–	–	–	667	–
–	9	197	–	–	–	206	–
–	9	197	–	–	–	873	–
(1)	–	6	–	–	–	6	–
(1)	–	6	–	–	–	6	–
4,870	1,861	12,100	–	–	50	23,030	–
4,870	1,861	12,100	–	–	50	23,030	–
–	–	–	–	–	45	45	505
–	–	–	–	–	45	45	505
(2,774)	–	7,415	–	–	–	4,641	–
(2,774)	–	7,415	–	–	–	4,641	–
4,150	–	663	–	–	–	5,995	–
4,150	–	663		–	–	5,995	–
(4,373)	7,116	2,378	–	–	–	(100,493)	–
(4,373)	7,116	2,378	–	–	–	(100,493)	–
1	181	1	–	–	7	324	–
1	181	1	–	–	7	324	–
–	–	411	–	–	19	430	–
–	–	411	–	–	19	430	–
–	–	–	–	–	–	718	–
–	–	–	–	–	–	867	–
10,147	–	21,820	–	–	–	69,471	–
10,147	–	21,820	–	–	–	71,056	–
–	–	–	–	–	104	104	–
–	–	–	–	–	104	104	–
15,647	**82,809**	**74,002**	**18,572**	**4,960**	**2,985**	**518,523**	**3,768**
						Payments in kind in USD	351,870
						TOTAL	**870,393**

	European transparency directive disclosure						
Licence / Corporate level	Production entitlements bbl (000s)	Income taxes USD (000s)	Royalties (cash only) USD (000s)	Dividends USD (000s)	Bonus payments USD (000s)	Licence fees USD (000s)	Infrastructure improvement payments USD (000s)
M'Boundi	289	–	–	–	–	–	–
Congo	289	–	–	–	–	–	–
CI-103	–	–	–	–	–	–	293
CI-105	-	-	-	-	-	-	759
CI-26 Espoir	296	–	–	–	–	–	–
Corporate	–	–	–	–	–	–	200
Cote d'Ivoire	296	–	–	–	–	–	1,252
Ceiba	179	–	–	–	–	–	–
Okume Complex	824	–	–	–	–	–	–
Corporate	–	4	–	–	–	–	–
Equatorial Guinea	1,003	4	–	–	–	–	–
Echira	–	–	3,006	–	–	–	–
Limande	–	–	6,215	–	–	–	–
Niungo	–	–	8,199	–	–	–	–
Omko	39	–	4,327	–	–	–	–
Tchatamba	17	–	1,851	–	–	–	–
Corporate – Tullow Oil Gabon SA	–	59,916	–	–	–	51	–
Oba	–	–	2,933	–	–	–	–
Onal	148	–	16,492	–	–	–	–
Corporate – Tulipe Oil SA	–	8,177	–	–	–	–	–
Gabon	204	68,093	43,023	–	–	51	–
Jubilee	464	–	–	–	–	–	3,824
Company level	–	–	–	–	–	64	4,276
Ghana	464	–	–	–	–	64	8,100
Block 1	–	–	–	–	180	–	–
Block 7	–	–	–	–	1,808	–	–
Block C-6	–	–	–	–	2,000	–	–
Block C-18	–	–	–	–	1,000	–	–
PSC B (Chinguetti EEA)	69	–	–	–	–	242	–
Company level	–	–	–	–	–	157	–
Mauritania	69	–	–	–	4,988	399	–
South Omo	–	–	–	–	–	–	246
Corporate	–	–	–	–	–	118	–
Ethiopia	–	–	–	–	–	118	246
Block 12B	–	–	–	–	300	–	–
Company level	–	–	–	–	–	326	–
Kenya	–	–	–	–	300	326	–
Corporate	–	–	–	–	–	–	–
Madagascar	–	–	–	–	–	–	–
Corporate	–	–	–	–	–	–	–
Namibia	–	–	–	–	–	–	–
Corporate	–	1	–	–	–	–	–
South Africa	–	1	–	–	–	–	–
Corporate	–	141,824	–	–	–	11	–
Uganda	–	141,824	–	–	–	11	–
Block 9	601	–	–	–	–	541	–
Bangladesh	601	–	–	–	–	541	–
Corporate	–	–	–	–	–	–	–
Ireland	–	–	–	–	–	–	–
Corporate	–	(423)	–	–	–	641	–
Netherlands	–	(423)	–	–	–	641	–
Corporate	–	(93,608)	–	–	–	152	–
Norway	–	(93,608)	–	–	–	152	–
Corporate	–	100	30	–	–	20	14
Pakistan	–	100	30	–	–	20	14
Murdoch	–	11,863	–	–	–	–	–
Ketch	–	–	–	–	–	459	–
Schooner	–	–	–	–	–	595	–
Corporate	–	26,259	–	–	–	348	14,205
UK	–	38,122	–	–	–	1,402	14,205
TOTAL	**2,926**	**154,113**	**43,053**	**–**	**5,288**	**3,725**	**23,817**

4

		Voluntary disclosure					
VAT USD (000s)	Withholding tax USD (000s)	PAYE & national insurance USD (000s)	Carried interests USD (000s)	Customs duties USD (000s)	Training allowances USD (000s)	TOTAL USD (000s)	TOTAL bbl (000s)
–	–	–	–	–	–	–	289
–	–	–	–	–	–	–	289
–	–	–	–	–	–	293	–
-	-	-	-	-	-	759	-
–	–	–	–	–	–	–	296
–	–	60	4,030	–	–	4,290	–
–	–	60	4,030	–	–	5,342	296
–	–	–	–	–	–	–	179
–	–	–	–	–	–	–	824
–	–	–	–	–	–	4	–
–	–	–	–	–	–	4	1,003
–	–	–	–	–	–	3,006	–
–	–	–	–	–	–	6,215	–
–	–	–	–	–	–	8,199	–
–	–	–	–	–	–	4,327	39
–	–	–	–	–	–	1,851	17
(58)	24	676	–	–	50	60,659	–
–	–	–	–	–	–	2,933	–
–	–	–	–	–	–	16,492	148
(3)	8	18	–	–	–	8,200	–
(61)	32	694	–	–	50	111,882	204
–	–	–	–	–	–	3,824	464
1,554	37,675	14,762	26,944	3,417	250	88,942	–
1,554	37,675	14,762	26,944	3,417	250	92,766	464
–	–	–	–	–	–	180	–
–	–	–	–	–	–	1,808	–
–	–	–	–	–	–	2,000	–
–	–	–	–	–	–	1,000	–
–	–	–	–	–	–	242	69
–	8	–	–	–	82	247	–
–	8	–	–	–	82	5,477	69
–	–	–	–	–	–	246	–
–	98	99	–	–	150	465	–
–	98	99	–	–	150	711	–
–	–	–	–	–	–	300	–
–	5,336	3,527	–	201	619	10,009	–
–	5,336	3,527	–	201	619	10,309	–
–	–	5	–	–	–	5	–
–	–	5	–	–	–	5	–
(4)	–	205	–	–	–	201	–
(4)	–	205	–	–	–	201	–
(1)	–	7	–	–	–	7	–
(1)	–	7	–	–	–	7	–
16,428	3,445	12,811	–	117	50	174,686	–
16,428	3,445	12,811	–	117	50	174,686	–
–	–	–	–	–	–	541	601
–	–	–	–	–	–	541	601
(1,377)	–	7,090	–	–	–	5,713	–
(1,377)	–	7,090	–	–	–	5,713	–
2,585	–	474	–	–	–	3,277	–
2,585	–	474	–	–	–	3,277	–
1,736	5,424	1,865	–	–	–	(84,431)	–
1,736	5,424	1,865	–	–	–	(84,431)	–
19	31	242	–	–	7	463	–
19	31	242	–	–	7	463	–
–	–	–	–	–	–	11,863	–
–	–	–	–	–	–	459	–
–	–	–	–	–	–	595	–
44,772	–	11,322	–	–	–	96,906	–
44,772	–	11,322	–	–	–	109,823	–
65,651	**52,049**	**53,163**	**30,974**	**3,735**	**1,208**	**436,776**	**2,926**
						Payments in kind in USD	259,305
						TOTAL	**696,081**

Financial calendar

2013 Full-year results announced	12 February 2014
Annual General Meeting	30 April 2014
Interim Management Statement	30 April 2014
2013 Final dividend payable	9 May 2014
2014 Half-yearly results announced	31 July 2014
2014 Interim dividend payable	October 2014
Interim Management Statement	November 2014

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. Any shares donated to ShareGift will be aggregated and sold when possible with the proceeds donated to a wide range of UK charities. The relevant share transfer form may be obtained from Computershare. Further information about the scheme is available at www.ShareGift.org.

Dividend

The table below provides the payment information for the final dividend for the year ended 31 December 2013 of 8.0p per share, subject to approval at the AGM on 30 April 2014.

Ex-dividend date	2 April 2014
Record date	4 April 2014
Final date for return of DRIP mandate forms	15 April 2014
Final date currency elections	15 April 2014
Euro/Cedi exchange rate determined	16 April 2014
Payment date and DRIP purchase	9 May 2014
DRIP Share certificates dispatched	20 May 2014

Payment of dividends

Shareholders on the UK register can have their dividends paid directly into a UK Sterling or Irish Euro bank account and have the tax voucher sent directly to their registered address. You can register your account details in Investor Centre. Shareholders with registered addresses in the UK will be paid their dividends in pounds Sterling. Those with registered addresses in European countries which have adopted the Euro will be paid their dividends in Euro. Such shareholders may, however, elect to be paid their dividends in either pounds Sterling or Euro, provided such election is received at the Company's registrars by the record date for the dividend.

Overseas shareholders on the UK register who wish to have their dividends paid in a local currency can use the Global Payments Service that Computershare has established. Details of the service can be accessed in the Shareholder Services section of the Investors area of the Tullow website: www.tullowoil.com.

Holders on the Ghana Register may also receive dividends directly into a bank account in Ghana. Such payments are only made in Ghanaian Cedis. Please contact our Ghana Registrar.

Dividend Reinvestment Plan (DRIP)

Available to shareholders on the UK register, the DRIP is a straightforward and economic way of enabling shareholders to buy further shares in the Company by re-investing their cash dividends. You can elect to join the DRIP by applying online at www.investorcentre.co.uk.

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.etreeuk.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.

EXECUTIVE COMMITTEE

In early 2014, a new Executive Committee was formed that assists the Executive Directors in running the business. The Committee provides more depth and focus to leadership of the business and delivery of our business plan and strategic objectives. It comprises the Executive Directors and 10 senior regional and functional business leaders.

Aidan Heavey
Chief Executive Officer

Graham Martin
Executive Director and Company Secretary

Ian Springett
Chief Financial Officer

Angus McCoss
Exploration Director

Paul McDade
Chief Operating Officer

David Lawrie
Vice President North & West Africa

Gary Thompson
Vice President East & Southern Africa

Claire Hawkings
Vice President Rest of World

Ian Cloke
Vice President Exploration

Stuart Wheaton
Vice President Development & Operations

Sandy Stash
Vice President Safety, Sustainability & External Affairs

Chris Perry
Vice President Investor Relations & Communications

Les Wood
Vice President Commercial

Brian Williams
Vice President Corporate Finance

Gordon Headley
Vice President Human Resources

AGM	Annual General Meeting
AFS	Available for sale
bbl	Barrel
bcf	Billion cubic feet
BIS	Department for Business, Innovation & Skills
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
CR	Corporate Responsibility
CSO	Civil Society Organisations
D&O	Development and Operations
DD&A	Depreciation, Depletion and Amortisation
DoA	Delegation of Authority
DSBP	Deferred Share Bonus Plan
EA	Exploration Area
E&E	Exploration and Evaluation
E&A	Exploration and Appraisal
E&P	Exploration and Production
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EHS	Environment, Health and Safety
EITI	Extractive Industries Transparency Initiative
EMS	Environmental Management System
ESOS	Executive Share Option Scheme
FEED	Front End Engineering and Design
FPSO	Floating Production Storage and Offloading vessel
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FTG	Full Tensor Gravity Gradiometry
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
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
IR	Investor Relations
ISO	International Organization for Standardization

JUA	Jubilee Unit Area
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
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
OGP	International Association of Oil & Gas Producers
Opex	Operating expenses
p	Pence
PAYE	Pay As You Earn
PoD	Plan of Development
PRT	Petroleum Revenue Tax
PSA	Production Sharing Agreement
PSC	Production Sharing Contract
PSP	Performance Share Plan
RBM	Regional Business Manager
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
Sq km	Square kilometres
SRI	Socially Responsible Investment
TEN	Tweneboa – Enyenra – Ntomme
TIP	Tullow Incentive Plan
TGSS	Tullow Group Scholorship Scheme
TOES	Tullow Oil Environmental Standards
TSR	Total Shareholder Return
UKGAAP	UK Generally Accepted Accounting Practice
URA	Ugandan Revenue Authority
VAT	Value Added Tax
WAEP	Weighted Average Exercise Price
Wildcat	Exploratory well drilled in land not known to be an oil field

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