



TULLOW OIL PLC  
interim report 2003



# TULLOW OIL PLC

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### ABBREVIATIONS

bcf	billion cubic feet
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
CMS	Caister Murdoch System
mmbo	millions of barrels of oil
mmboe	millions of barrels of oil equivalent
mmscfd	millions of standard cubic feet per day
PSC	Production Sharing Contract

# Chairman's Statement

I am pleased to announce record operating results for the half year ended 30th June 2003. Performance was driven by enhanced output from existing fields, first production from new discoveries and reductions in per unit operating costs.

## Operating Performance

In the North Sea, a strong management team has successfully achieved operating efficiencies, increased gas output and extended the production life of assets. This has resulted in an upgrade in reserves across the Group's UK licences during this half year.

During 2003, Tullow increased its interests in the Thames, Hewett and Horne projects in the Southern North Sea by acquiring equity from partners. This strengthens Tullow's strategic position in the gas infrastructure for the region, including operatorship of the Bacton onshore terminal. Within the CMS Area, the McAdam field was brought into production during April, with further production scheduled to come on stream in the second half. Tullow was also awarded 5 new blocks in the UK Government's 21st Offshore Licensing Round.

The outlook is for further strong performance from North Sea interests in the second half of the year. Prospects for gas demand and pricing continue to be very positive. Tullow will also benefit from higher production shares resulting from additional equity acquired in Thames and Hewett. Development options on several other undeveloped discoveries, which can be tied into existing infrastructure, are also being evaluated.

West Africa is Tullow's fastest and most exciting growth area for both production and exploration. Oil production from the Espoir field grew from 7,500 boepd in the first half of last year to an average of c.15,000 boepd in the first half of this year. Tullow's share of this production was 3,100 boepd. This development continues to benefit from strong oil prices. Plans are well advanced to develop additional proven reserves in the West portion of the field and this could see output exceed 35,000 boepd at full production. A significant new discovery was made in May when the Acajou 1X well, located 9km from Espoir, flowed 3,500 bopd of good quality oil. An appraisal well to test potentially thicker sands in the northern sector of this discovery is planned for the second quarter of 2004.

## Chairman's Statement continued

During the period, Tullow signed the Kiarsseny Marin licence in the highly prospective Northern Gabon offshore basin, adding a major new exploration area to its West African hub. Priority is being given to drilling an exploration/appraisal well on a previously undeveloped discovery with the objective of fast tracking development during 2004. This is one of three discoveries on the licence totalling in excess of 30 mmbbl. Tullow has also identified a number of other substantial exploration prospects on the block which will be the subject of further work during 2004.

In South Asia, production continued in Pakistan and advances have also been made in relation to development of the Chachar discovery. The main focus in the region is the drilling programme due to commence this year in Block 9, Bangladesh.

More detail is given on these areas in the Chief Executive's Review.

### Financial Results

The principal sources of revenue were the North Sea and offshore West African interests. Gas sales volume from the North Sea increased by 27% to an average of 125 mmscfd and attributable West African production averaged 3,100 boepd. As a result, Turnover rose by 23% to £67.4 million.

Operating Profit before Exploration Activities increased by 48% to £24.9 million while operating cash flow grew by 25% to £46.2 million. Capital expenditure of £23.6 million absorbed 51% of this cash flow, while debt repayments of £7.8 million were also made during the period.

An exploration cost write off of £5.8 million reflects accumulated costs associated with unsuccessful wells and licence relinquishments in Algeria (£3.5 million) and the UK (£2.0 million), written off in accordance with Tullow's Successful Efforts accounting policy. The balance represents costs associated with new venture opportunities not pursued.

The charge to taxation of £9.7 million is principally associated with the Group's North Sea activities. During the period the Murdoch K field was deemed liable to PRT. The current portion of the PRT charge reflects the high proportion of CMS III production represented by this field during the period, however none of the other fields in this development are liable for PRT.

The tax charge also includes a notional tax charge of £1.5 million associated with profit oil accruing to the Government under the Esplor PSC.

Profits before tax increased by 30.7% to £16.5 million after exploration costs and net interest payments. The increase in taxation impacted on Net Profits and Earning Per Share. As a result net profits were reduced to £6.8 million from £7.6 million in the same period last year. Basic EPS was 1.83p and Diluted EPS 1.81p compared with 2.11p and 2.02p for the corresponding period in 2002.

In March 2003 the Company undertook a 5% placing to raise £14.3 million before expenses. At the same time, Tullow announced that it had agreed the principal terms of an acquisition banking facility with an initial committed amount of \$100 million.

## Strategy

Tullow's strategy is to build strong and secure cash flow from low risk production acreage while applying discretionary funds to development and exploration of high potential acreage. This policy is followed in each of the Group's core operating areas of the North Sea, West Africa and South Asia.

While this strategy has resulted in a number of attractive bolt-on asset acquisitions, a more sizeable acquisition also remains a priority. This is primarily due to our belief that the current industrial climate in which the major companies are withdrawing from non-core assets represents a growth opportunity for independent exploration and production companies. Tullow applies rigorous assessment criteria to all potential acquisitions with a view to growing shareholder value at acceptable risk; at a time of high oil prices we intend to maintain this discipline.

## Chairman's Statement *continued*

### **Dividend**

In April, Tullow announced its intention to pay a dividend of 1p per share during 2003. This was subject to certain legal and accounting requirements which have now been substantially met resulting in a transfer of £12.6 million from the Merger Reserve to the Profit and Loss Account in the Group Balance Sheet as at 30 June. Tullow now anticipates making a formal announcement in relation to the record date for the dividend during September. Looking forward, the principal focus of the Group over the coming years will be on investment for growth. Consequently the Board does not anticipate material increases to the dividend in the near term.

### **Future Prospects**

Our strategy of building a low risk exploration and production company with continual exposure to high returns is progressing well.

We are heading into a very active phase, with exploration wells in each of our core areas, a number of potential development projects and continued strong production and reserve performance. Acquisition and disposal activity has focused and strengthened our portfolio and this will continue as we strive towards our target over the coming years of building a strong Independent Oil and Gas Company.



**Pat Plunkett**

*Chairman*

4th September 2003

# Chief Executive's Review

## UK North Sea

Tullow's principal interests in this region are the CMS group of licences and the Thames/Hewett licences. The Group has increased its interests in both areas, by acquiring additional equity in existing assets and by acquiring new acreage through the UK Government's 20th and 21st Offshore Licensing Rounds.

Production over the period averaged 125 mmscfd, of which approximately 30% represented contracted gas. Average prices achieved were 23.1p/therm for contracted gas and 19.7p/therm for uncontracted gas. Tariff revenues amounted to £5.6 million. Full year production is expected to average 115-120 mmscfd with lower summer production offset by higher attributable output from an increased equity stake in Thames/Hewett. The outlook for future gas demand and pricing continues to be very positive.

### CMS Licences

The completion of this major development programme will see a complex of five new fields ultimately in production. The McAdam field became the third of these to come on stream in April and development of the remaining two fields, Boulton H and Watt, is well advanced. The addition of the McAdam production meant that peak production of c.290 mmscfd (Tullow 14.1%), substantially ahead of initial estimates, was achieved in April. An additional block in this area 44/19 was awarded to Tullow in the 21st Licensing Round.

### Thames/Hewett

This area has seen three bolt-on acquisitions and a major cost reduction programme. Tullow increased its equity in the Thames gas fields to 66.66% by acquiring ENI's 23.33% interest. In addition Tullow purchased from BP interests in five blocks in the Thames area which increased its equity in the Horne discovery to 50%. Tullow is planning an early development of this field, together with the nearby Wren and Wissey fields in which it also holds a 50% interest.

In June Tullow entered into agreements with ConocoPhillips which will increase its equity in the Hewett Unit, the associated export pipelines and the Bacton onshore gas processing terminal, to 37.82%. Tullow will also assume operatorship of these assets, including the Bacton terminal. Tullow has entered into an alliance with a production operations contractor, Petrofac Facilities Management Limited, who will become the duty holder for these interests.

## Chief Executive's Review *continued*

The additional Hewett/Bacton assets have been acquired without assumption of any incremental decommissioning obligations. During recent months a wide-ranging review of abandonment cost provisions was undertaken. This resulted in downward revisions to abandonment estimates of 28% for the Thames assets and of 19% for Hewett/Bacton.

These advances, coupled with Tullow's assumption of operatorship in Hewett/Bacton are expected to enhance the economic life of the Thames/Hewett assets by enabling Tullow to maintain production and manage costs in a proactive manner. The potential for development of the Fizzy discovery on Block 50/26b is also currently being examined. This discovery also extends into Block 49/30b in which Tullow was granted a 50% interest as part of the 21st Licensing Round.

The Gawain South East exploration well is currently drilling and is expected to reach reservoir depth shortly. If successful, first production will occur in November through the Thames infrastructure.

Elsewhere in the North Sea, Tullow was recently awarded a further 3 blocks or part blocks in the 21st Licensing Round. The work programme here involves the reprocessing and acquisition of 3D seismic data with an option to drill or drop.

An exploration well on the Squirrel Prospect in the Outer Moray Firth in March found a water-wet reservoir and was plugged and abandoned.

### **West Africa**

Tullow continues to build its asset base in West Africa, an area with which it has a long standing and successful association. The rapid growth of oil production in the Espoir field and the successful Acajou 1X discovery well highlight the exciting potential of our Côte d'Ivoire acreage. At the same time, Tullow has embarked on two major new initiatives in the region with the acquisition of prospective licence areas in both Gabon and Cameroon.

#### **Côte d'Ivoire**

The Espoir field in Côte d'Ivoire is Tullow's principal source of international production. During early 2003 a well intervention programme was undertaken to increase production to a target level of 25,000 boepd (gross). This programme was successful in achieving a level of 24,000 boepd by the end of the period. A step-out production well has been subsequently

successfully drilled to ensure that this level is maintained going forward. Tullow's share of production during the period was approximately 3,100 boepd at an average realised price of \$26.70. A stock of approx 110,000 barrels net to Tullow remained on the FPSO at 30th June.

The next phase of the Espoir project will comprise the proposed development of the West Espoir reserves. This project, drilled from a new wellhead tower, will use the existing Espoir FPSO and provide an anticipated 15,000 boepd at full production. Production is expected to commence in the first half of 2005.

### **Gabon**

In March Tullow signed the Kiarsseny Marin licence. This project is consistent with Tullow's strategy, already successfully executed in Senegal and Côte d'Ivoire, of seeking to commercialise previously proven discoveries with significant exploration upside. Tullow's principal initial focus will be on drilling the Topaze South appraisal well, which is expected to be a catalyst for a fast-track development of the Topaze field during 2004. Parallel to this Tullow has identified over 40 prospects and leads on the block, including some of over 200 mmbbl reserve potential. Further exploration work is planned for 2004.

### **Cameroon**

The Ngosso block was signed by Tullow and Addax during 2002. In common with the Kiarsseny Marin licence in Gabon, a number of existing discoveries on the Ngosso block provide scope for fast-track appraisal and development. A 3D seismic survey to refine reserve estimates and facilitate development planning will be undertaken in 2004.

## **South Asia**

Tullow has production and exploration interests in Pakistan and exploration activities in Bangladesh and India. An extensive drilling programme is scheduled for Bangladesh commencing in November.

### **Pakistan**

The Sara and Suri wells produced at an average rate of approx 10 mmscfd net to Tullow (2002 - 12 mmscfd) during the period, however this has reduced in recent weeks following water ingress to the Sara-1 well. A programme to restore Sara production and a new 3D seismic survey across the Sara/Suri area is imminent.

## Chief Executive's Review *continued*

Tullow is also continuing its negotiations in relation to the development of the Chachar discovery. A gas sales contract is in place and an independent expert has recently been appointed to consider the likely terms of any unitisation of Chachar with the adjacent producing Kandhkot field.

### **Bangladesh**

Following the completion of an extensive seismic programme over regions of Block 9, drilling locations for 3 exploration wells have been selected and rig contracts awarded. The first of three wells is due to spud in November on the Rasulpur (Kashimpur) prospect, to be followed by the Lalmai and Bangora structures immediately thereafter.

### **India**

In March, Reliance Industries announced that the appraisal well on GK-OSJ-1 (Tullow 25% carried) had been unsuccessful. Tullow is currently evaluating the remaining acreage within its India portfolio.

### **Other Activities**

In addition to its acquisition efforts, the Group optimises its portfolio through selective farmouts and divestments. During the period the small West Firsby producing oil field onshore UK was disposed of. Further transactions to improve the group's overall capital efficiency are also under consideration.

### **ISO 14001**

During the period, Tullow Oil UK achieved certification to the internationally recognised ISO 14001 environmental standard. This certification is valid for 3 years and its achievement is a tribute to the hard work of our UKCS team and the consistent commitment to environmental health and safety initiatives within Tullow.

### **Outlook**

To date, 2003 has been one of the busiest periods of the company's history. The remainder of the year promises to be similarly eventful including programmes with potential to add significant value in each of the Group's core areas. I look forward to an interesting and exciting period.

### **Aidan Heavey**

*Chief Executive*

# Independent Review Report to the Shareholders of Tullow Oil plc

## Introduction

We have been instructed by the Company to review the financial information for the six months ended 30th June 2003, which comprises the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes numbered 1 to 5. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are requested to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Board of Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group Management and applying analytical procedures to the underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June 2003.

**Robert J. Kidney & Co.**  
*Chartered Accountants*  
11 Adelaide Road  
Dublin 2

4th September 2003

**Deloitte & Touche LLP**  
*Chartered Accountants*  
180 Strand  
London WC2R 1BL

# Group Profit and Loss Account

Six Months Ended 30th June 2003

	<b>6 Months</b> <b>30.06.03</b> <b>Unaudited</b> <b>£'000</b>	6 Months 30.06.02 Unaudited £'000	12 Months 31.12.02 Audited £'000
<b>Turnover</b>	<b>67,441</b>	55,021	112,624
<b>Cost of Sales</b>			
Operating Costs	<b>(20,200)</b>	(16,654)	(35,982)
Depletion and Amortisation	<b>(21,078)</b>	(19,010)	(39,368)
	<b>(41,278)</b>	(35,664)	(75,350)
<b>Gross Profit</b>	<b>26,163</b>	19,357	37,274
Administrative Expenses	<b>(1,121)</b>	(2,407)	(3,610)
Depreciation	<b>(159)</b>	(152)	(315)
	<b>(1,280)</b>	(2,559)	(3,925)
<b>Operating Profit Before Exploration Activities</b>	<b>24,883</b>	16,798	33,349
<b>Exploration Costs Written Off</b>	<b>(5,815)</b>	(1,182)	(4,169)
<b>Profit on Farmout of Licence Interests</b>	<b>-</b>	1,033	914
<b>Operating Profit</b>	<b>19,068</b>	16,649	30,094
Profit on Disposal of Production Assets	<b>452</b>	-	-
<b>Profit on Ordinary Activities Before Interest</b>	<b>19,520</b>	16,649	30,094
Interest Receivable & Similar Income	<b>1,053</b>	771	1,409
Interest Payable & Similar Charges	<b>(4,075)</b>	(4,800)	(9,044)
<b>Profit on Ordinary Activities Before Taxation</b>	<b>16,498</b>	12,620	22,459
<b>Taxation on Profit on Ordinary Activities</b>			
Current and Deferred Petroleum Revenue Tax	<b>(3,300)</b>	(721)	(2,696)
Current and Deferred Corporation Tax	<b>(6,421)</b>	(4,332)	(6,967)
	<b>(9,721)</b>	(5,053)	(9,663)
<b>Net Profit</b>	<b>6,777</b>	7,567	12,796
	<b>Stg p</b>	Stg p	Stg p
<b>Earnings Per Share (Note 2)</b>			
- Basic	<b>1.83</b>	2.11	3.56
- Diluted	<b>1.81</b>	2.02	3.51

# Group Balance Sheet

As at 30th June 2003

	<b>30.06.03</b> <b>Unaudited</b> <b>£'000</b>	30.06.02 Unaudited £'000	31.12.02 Audited £'000
<b>Fixed Assets</b>			
Intangible Assets	<b>45,578</b>	32,684	34,498
Tangible Assets	<b>156,079</b>	174,399	161,089
Investments	<b>371</b>	299	299
	<b>202,028</b>	207,382	195,886
<b>Current Assets</b>			
Stock	<b>1,347</b>	814	-
Debtors	<b>18,271</b>	19,764	24,535
Cash at Bank and in Hand	<b>66,143</b>	49,063	44,778
	<b>85,761</b>	69,641	69,313
<b>Creditors – Amounts falling due within one year</b>			
Bank Loans and Overdrafts	<b>(30,741)</b>	(21,155)	(27,078)
Trade and Other Creditors	<b>(31,866)</b>	(32,889)	(26,464)
	<b>(62,607)</b>	(54,044)	(53,542)
<b>Net Current Assets</b>	<b>23,154</b>	15,597	15,771
<b>Total Assets Less Current Liabilities</b>	<b>225,182</b>	222,979	211,657
<b>Creditors – Amounts falling due after more than one year</b>			
Bank Loans	<b>(63,425)</b>	(80,386)	(74,923)
<b>Provisions for Liabilities and Charges</b>			
Decommissioning Costs	<b>(41,082)</b>	(42,178)	(32,826)
Deferred Taxation	<b>(1,825)</b>	(2,655)	(3,608)
<b>Net Assets</b>	<b>118,850</b>	97,760	100,300
<b>Capital And Reserves</b>			
Equity Share Capital	<b>37,774</b>	35,959	35,981
Share Premium Account	<b>14,245</b>	2,277	2,485
Merger Reserve	<b>56,617</b>	69,213	69,213
Profit and Loss Account	<b>10,214</b>	(9,689)	(7,379)
<b>Equity Shareholders' Funds</b>	<b>118,850</b>	97,760	100,300

# Group Cash Flow Statement

Six Months Ended 30th June 2003

	<b>6 Months</b> <b>30.06.03</b> <b>Unaudited</b> <b>£'000</b>	6 Months 30.06.02 Unaudited £'000	12 Months 31.12.02 Audited £'000
<b>Reconciliation of Operating Profit to</b>			
<b>Net Cash Inflow from Operating Activities</b>			
Operating Profit for the Period	19,068	16,649	30,094
Depletion and Amortisation	21,078	19,010	39,368
Depreciation of Other Fixed Assets	159	152	315
Exploration Costs	5,815	1,182	4,169
Profit on Farmout of Licence	-	(1,033)	(914)
Taxation Paid in Kind	(1,491)	-	(2,014)
Movement in Operating Debtors	5,021	8,192	(1,947)
Movement in Operating Creditors	(2,111)	(6,479)	(5,806)
Movement in Stocks	(1,347)	(814)	-
Translation Adjustment	20	-	(336)
<b>Net Cash Inflow from Operating Activities</b>	<b>46,212</b>	36,859	62,929
<b>Returns on Investments and Servicing of Finance</b>	<b>(1,995)</b>	(2,345)	(4,070)
<b>Taxation</b>	<b>(5,614)</b>	(1,915)	(5,679)
<b>Capital Expenditure and Financial Investment</b>	<b>(23,254)</b>	(30,547)	(56,251)
<b>Net Cash Inflow/(Outflow) before</b>			
<b>Management of Liquid Resources and Financing</b>	<b>15,349</b>	2,052	(3,071)
<b>Management of Liquid Resources – Term Deposits</b>	<b>4,446</b>	3,158	(896)
<b>Financing</b>	<b>1,768</b>	(9,470)	(16,179)
<b>Increase/(Decrease) in Cash</b>	<b>21,563</b>	(4,260)	(20,146)
<b>Reconciliation of Net Cash Flow to</b>			
<b>Movement in Net Debt</b>			
Increase/(Decrease) in Cash for Period	21,563	(4,260)	(20,146)
Cash Outflow/(Inflow) from			
Decrease/(Increase) in Debt	7,806	(1,309)	(3,012)
Cash (Outflow)/Inflow from			
(Decrease)/Increase in Liquid Resources	(4,446)	(3,158)	896
Change in Net Cash arising from Cashflows	24,923	(8,727)	(22,262)
Translation Difference	445	(237)	694
Net Debt at Beginning of Period	(95,400)	(73,832)	(73,832)
<b>Net Debt at End of Period</b>	<b>(70,032)</b>	(82,796)	(95,400)

**Analysis of Changes in Net Debt**

	<b>01.01.03</b>	<b>CashFlow</b>	<b>Exchange</b>	<b>30.06.03</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at Bank and in Hand	3,722	21,452	(67)	25,107
Overdrafts	(665)	111	(43)	(597)
	<u>3,057</u>	<u>21,563</u>	<u>(110)</u>	<u>24,510</u>
Debt Due Within One Year	(26,413)	(3,940)	209	(30,144)
Debt Due After One Year	(77,987)	11,746	238	(66,003)
	<u>(104,400)</u>	<u>7,806</u>	<u>447</u>	<u>(96,147)</u>
Term Deposits	5,943	(4,446)	108	1,605
Net Debt	<u>(95,400)</u>	<u>24,923</u>	<u>445</u>	<u>(70,032)</u>

*Cash at Bank and in Hand at 30th June 2003 per the Group Balance Sheet includes £25,107,565 of Cash, £1,604,740 of Term Deposits, £29,227,358 on fixed deposit in support of future decommissioning costs and £10,203,323 on fixed term deposit under the terms of the debt facility.*

*Cash at Bank and in Hand at 31st December 2002 per the Group Balance Sheet includes £3,722,075 of Cash, £5,942,657 of Term Deposits, £25,093,268 on fixed deposit in support of future decommissioning costs and £10,020,172 on fixed term deposit under the terms of the debt facility.*

*Bank Loans due after one year are stated in the Group Balance Sheet net of related unamortised arrangement fees.*

# Notes to the Interim Financial Statements

## 1. Accounting Policies and Presentation of Financial Information

The financial information presented above does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information for the year ended 31st December 2002 has been derived from the statutory accounts for that year. The statutory accounts, upon which the auditors issued an unqualified opinion, were delivered to the Registrar of Companies.

There are no changes to the accounting policies as set out on pages 45 to 47 of the Annual Report and Statement of Accounts for the year ended 31st December 2002.

## 2. Earnings per Ordinary Share

The calculation of basic earnings per ordinary share is based on the profit for the period after taxation of £6,776,655 (first half 2002 – £7,566,737) and a weighted average number of shares in issue of 370,912,069 (first half 2002 – 358,904,674).

The calculation of diluted earnings per share is based on the profit for the period after taxation as for basic earnings per share. The number of shares is adjusted to show the potential dilution if employee and other share options are converted into ordinary shares. The weighted average number of shares in issue is increased to 373,677,919 (first half 2002 – 373,734,888).

## 3. Statement of Total Recognised Gains and Losses

	<b>6 Months</b> <b>30.06.03</b> <b>Unaudited</b> <b>£'000</b>	6 Months 30.06.02 Unaudited £'000	12 Months 31.12.02 Audited £'000
Profit for period	<b>6,777</b>	7,567	12,796
Currency translation adjustment on foreign currency net investments	<b>(1,780)</b>	(2,203)	(5,122)
Total Recognised Gains	<b>4,997</b>	5,364	7,674

#### 4. Profit and Loss Account

	<b>6 Months</b> <b>30.06.03</b> <b>Unaudited</b> <b>£'000</b>	6 Months 30.06.02 Unaudited £'000	12 Months 31.12.02 Audited £'000
Opening Balance	<b>(7,379)</b>	(15,053)	(15,053)
Profit for period	<b>6,777</b>	7,567	12,796
Currency translation adjustment on foreign currency net investments	<b>(1,780)</b>	(2,203)	(5,122)
Transfer from the Merger Reserve	<b>12,596</b>	-	-
Closing Balance	<b>10,214</b>	(9,689)	(7,379)

During the period the Irish subsidiary (Tullow Oil Limited, formerly Tullow Oil plc) received permission from the High Court of Ireland to transfer a balance on the share premium account against the deficit on the profit and loss account of that company. The Irish subsidiary was previously the ultimate parent company of the group and the balance on its share premium account gave rise to the merger reserve in the consolidated balance sheet. Accordingly, the transfer from the Irish subsidiary's share premium account was mirrored in the consolidated balance sheet by a transfer from the merger reserve.

#### 5. Dividends

No dividend was declared in the half year to 30th June 2003 or in 2002.

#### 6. Proven and Probable Reserves Summary

	EUROPE		AFRICA		ASIA		TOTAL		
	Oil mmbo	Gas bcf	Oil mmbo	Gas bcf	Oil mmbo	Gas bcf	Oil mmbo	Gas bcf	Petroleum mmboe
At 1st January 2003	0.06	170.68	19.35	50.45	-	138.74	19.41	359.87	79.38
Revisions	-	10.31	-	-	-	(12.67)	-	(2.36)	(0.39)
Disposals	(0.05)	-	-	-	-	-	(0.05)	-	(0.05)
Production	(0.01)	(23.40)	(0.51)	(0.33)	-	(1.87)	(0.52)	(25.60)	(4.79)
<b>At 30th June 2003</b>	<b>-</b>	<b>157.59</b>	<b>18.84</b>	<b>50.12</b>	<b>-</b>	<b>124.20</b>	<b>18.84</b>	<b>331.91</b>	<b>74.15</b>

# Notes to the Interim Financial Statements

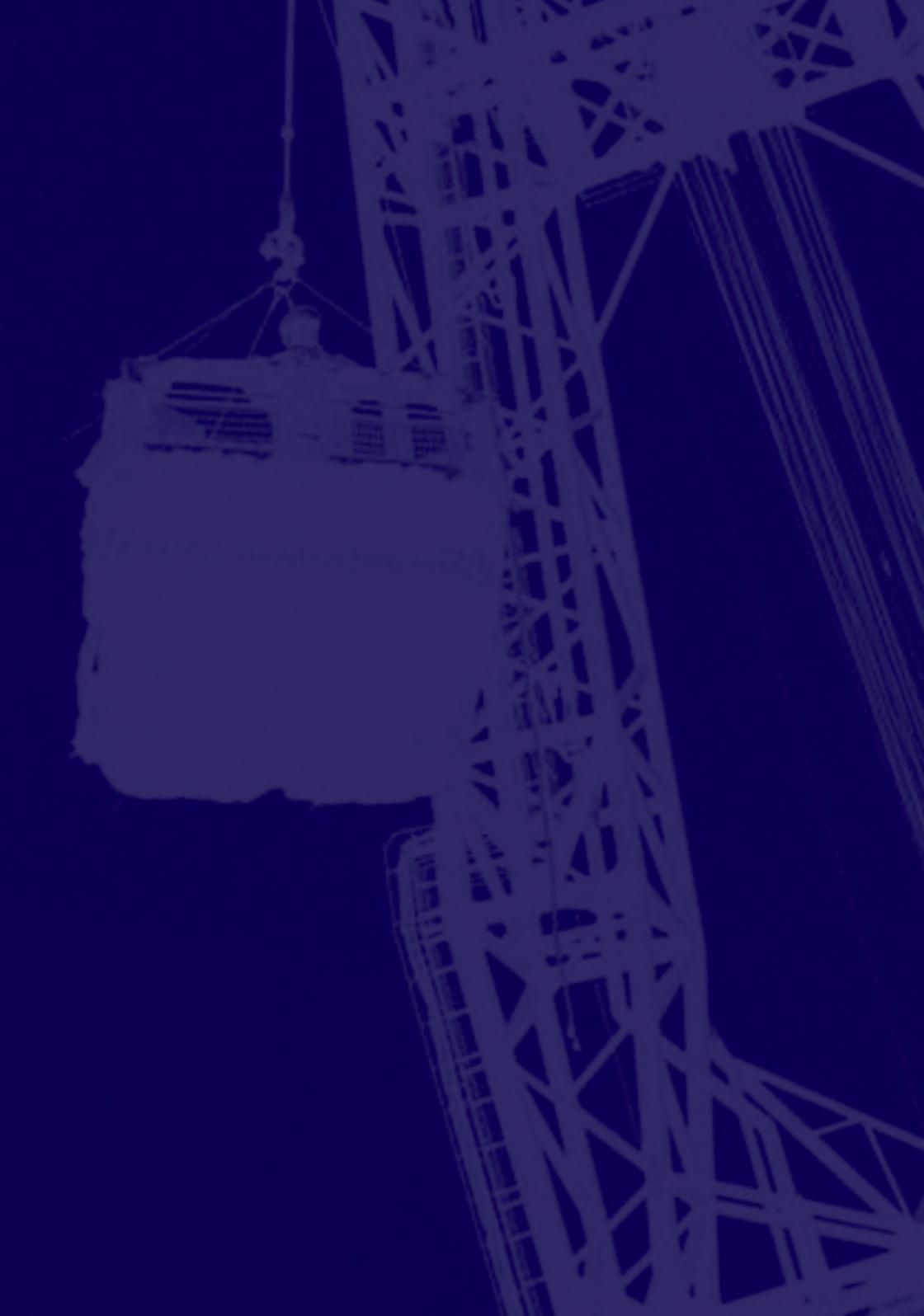
## continued

### **7. Auditors' Review**

The interim accounts (unaudited) have been reviewed by the Group's joint auditors, Deloitte & Touche LLP and Robert J. Kidney & Co. and their report is set out on page 9.

### **8. Approval of Accounts**

These interim accounts (unaudited) were approved by the board of Directors on 4th September 2003.





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