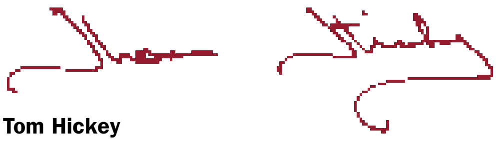
Finance Review Tullow had a very strong 2005, achieving record profits, earnings and cash flow from operations.



Tom Hickey
Chief Financial Officer

The results for 2005 have been prepared in accordance with the Group's policies under IFRS. Tullow adopted IFRS with effect from 1 January 2004, with the exception of IAS 39 in respect of derivative financial instruments, which has been adopted with effect from 1 January 2005.

The 2004 financial statements have been restated under IFRS and were published on 22 August 2005, with full details of the accounting policies adopted. This is available on the Group's website at www.tullowoil.com.

Excellent Operating Performance
Working interest production averaged 58,450 boepd, while sales volumes averaged 53,350 boepd. These production figures are 44% ahead of 2004, principally as a result of a full year contribution from the Energy Africa assets and a nine-month contribution from the Schooner and Ketch acquisition, completed in March.

During the year the Group disposed of the Alba and Caledonia assets in June and the offshore Congo (Brazzaville) interests in August.

Average prices realised during the year were significantly higher than in 2004. Oil was US$43.05/bbl (2004: US$34.13/bbl) and UK gas was 33.85p/therm (2004: 22.89p/therm). Tullow's oil production sold at an average discount of 13% to Brent during the year. This discount is expected to reduce to between 8% and 9% during 2006. The Group also received tariff income of £14.7 million (2004: £9.4 million) from use of its UK infrastructure.

The combination of the higher prices and increased volumes meant that sales revenue increased 98% to £445.2 million (2004: £225.3 million).

Key Performance Indicators

	2005	2004	Change
Lost Time Incident Frequency Rate[1]	**0.82**	1.96	Down 58%
Production (boepd)	**58,450**	40,600	Up 44%
Operating Cash flow before working capital per boe (£)	**13.50**	9.45	Up 43%
Cash Operating Costs per boe (£)[2]	**4.84**	4.40	Up 10%
Gearing (%)[3]	**36%**	17%	Up 19%
Reserves Replacement (%)	**118%**	83%	Up 35%
Realised Oil Price per bbl ($)	**43.05**	34.13	Up 26%
Realised Gas Price (pence per therm)	**33.85**	22.89	Up 47%

[1] Lost Time Incidents per million man hours worked [2] Cash operating costs are cost of sales excluding depletion and amortisation and under/over lift movements
[3] Gearing is net debt divided by net assets

Operating profit before exploration activities amounted to £224.4 million (2004: £74.7 million), up 200%, reflecting the strong growth in Group production, profit on disposals and realised oil and gas prices.

Our financial performance was complemented by strong results across key performance indicators for the Group

Underlying cash operating costs, which exclude depletion and amortisation and movements on under or over lift, amounted to £102.2 million (£4.84/boe). These costs were marginally above expectations and reflected, in particular, oil price linked royalty payments on Gabon production.

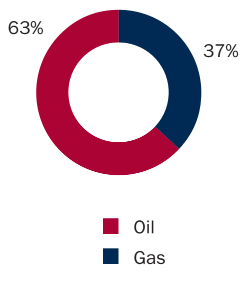
Reported operating costs before depletion and amortisation for the year of £123.5 million (2004: £60.1 million) are also impacted by the inclusion at market value of £8.2 million associated with overlifted volumes at 31 December, £5.5 million of overlift associated with the disposal of Alba and Caledonia and £7.6 million of overlift associated with the sale of the Group's offshore Congo interests, completed in August 2005.

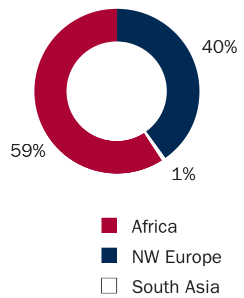
Depreciation, depletion and amortisation for the year amounted to £119.7 million (£5.67/boe). Depreciation includes a total of £2.4 million of impairment costs associated with Tullow's producing interests in Pakistan.

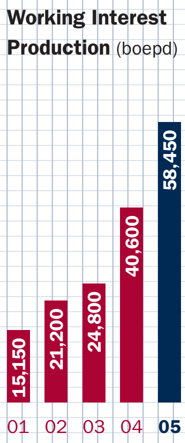
Higher Exploration Write-off reflecting Increased Activity
Exploration costs written off were £25.8 million (2004: £18.0 million), in accordance with the Group's 'successful efforts' accounting policy, which requires that all costs associated with unsuccessful exploration are written off to the Income Statement. The Group drilled 10 exploration wells in 2005, achieved four discoveries, and is planning to drill 20 wells in 2006.

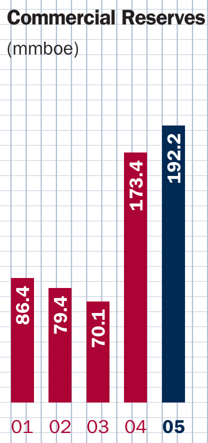
Analysis of Sales Revenue

	Oil £ millions	Gas £ millions	Total £ millions
NW Europe (UK)	17.6	161.9	179.5
Africa	264.9	–	264.9
South Asia	–	0.8	0.8
Total	282.5	162.7	445.2









Hedging reflected in Income Statement under IFRS

At 31 December 2005 the Group's derivative instruments had a negative mark to market value of £147.8 million. Of this amount, £97.2 million (66%) relates to contracts acquired as part of the acquisition of Energy Africa in 2004. While the bulk of these arrangements qualify for hedge accounting and will consequently be largely reflected in the Income Statement as the related contracts mature, the variations in crude oil discounts and gas sales patterns for Tullow inevitably led to a degree of hedge ineffectiveness which is accordingly included in the charge of £0.2 million recognised in the Income Statement for the year. The charge also reflects the effect of time value on the mark to market value of the Group's derivative instruments. The Group's hedge position as at 22 March 2006 can be summarised as follows:

Oil hedges

Hedge position	1H 2006	2H 2006	2007
Volume – bopd	10,242	11,217	7,000
Current Price Hedge – US$/bbl	39.99	42.90	45.06

Gas hedges

Hedge position	1H 2006	2H 2006	2007
Volume – mmscfd	91.67	50.00	15.00
Current Price Hedge – p/therm	58.70	42.61	58.68

Healthy Interest Cover

The net interest charge for the year was £19.8 million (2004: £10.0 million). The increase reflects higher levels of net debt arising from acquisitions and a one-off non-cash charge of £4.1 million representing accelerated amortisation of financing fees associated with facilities cancelled during the year as part of the Group's refinancing. Excluding these items, and eliminating gains from asset disposals, interest was covered over 15.5 times (2004: 15.9 times).

Taxation

The tax charge of £65.4 million (2004: £15.5 million) relates to the Group's enlarged North Sea and Gabonese activities and represents 37% of the Group's profit before tax (2004: 33%). After adjusting for exploration costs and non-recurring items associated with the profit on asset disposals, the Group's underlying effective tax rate for the year is 35% (2004: 25%).

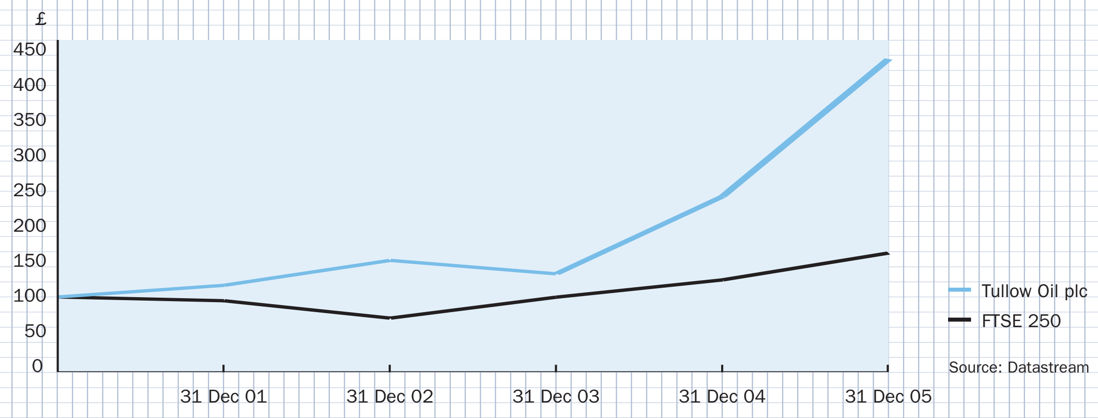
While Tullow's UK business has prospered, the Government's decision to raise the supplemental corporation tax rate for the industry is difficult to understand at a time when the UK, as a net importer of gas, is seeking to promote investment in exploration and maximise recovery of indigenous reserves.

Acquisitions and Portfolio Management

During the year, Tullow completed the acquisition of the Schooner and Ketch assets for a net cash payment on completion of £189.3 million. A purchase price allocation exercise has been undertaken on these assets incorporating the fair value of all reserves, costs and contractual arrangements acquired, resulting in a total allocation to oil and gas assets of £218.0 million. A creditor of £31.3 million in respect of the gas contracts that were out-of-the-money as at 31 March 2005 has also been recognised; the majority of these contracts expire in late 2007.

The Group completed the disposal of the Alba and Caledonia offshore assets in the UK and the offshore Congo (Brazzaville) assets in June and August 2005 respectively. In addition, final income has been recognised in relation to incremental consideration received based on reserves and performance of the Horne & Wren fields. The profit on disposals amounts to £36.1 million (inclusive of the £5.5 million of overlift outlined above).

Total Shareholder Return



Record Operating Cash Flow and Strong Balance Sheet
The strong pricing environment, allied to increasing production and effective control of underlying operating costs, led to record operating cash flow before working capital movements of £288.1 million, 106% ahead of 2004. This cash flow enabled the Group to maintain modest gearing of 36% at year end, to increase dividends to shareholders in respect of the period by 129% and to invest £193.0 million in exploration and development activities in the year.

Over 80% of Group capital expenditure was associated with ongoing development and production enhancement projects in the UK, Gabon, Congo (Brazzaville), Equatorial Guinea and Côte d'Ivoire. The programmes associated with this expenditure have allowed Tullow to achieve organic reserve replacement of 118% over the period. Tullow has approved total 2006 capital expenditure of £280 million across all assets, driving group production to a target of over 75,000 boepd by year end.

Our strong operating cash flow enabled us to maintain modest gearing, increase dividends and invest £193 million in the business

Net assets at 31 December 2005 amounted to £389.0 million (2004: £375.5 million). Net assets were reduced by £120.4 million in the year due to the recognition of a hedge reserve in accordance with IAS 39 (adopted 1 January 2005). An increase in net assets (foreign currency translation reserve) of £32.4 million resulted from the strengthening of the US Dollar against Sterling from US$1.93 to US$1.72 in the year.

Successful Major Refinancing
Over the last five years Tullow has undertaken a range of acquisitions and field developments, all of which have been wholly or partly debt financed. During 2005 the Group completed a US$850 million refinancing, the largest such facility ever negotiated by a UK independent oil company. This has allowed Tullow to consolidate existing borrowings into a single facility, to halve its collateralisation obligations and to maintain financial flexibility for future growth.

The Group has over US$400 million of debt capacity and cash balances to fund future growth

Targeting Superior Returns
Tullow aims to deliver superior returns to shareholders through production led exploration and reserve enhancement, operational innovation and focused acquisitions. The Total Shareholder Return graph above shows the value, by the end of 2005, of £100 invested in Tullow Oil plc on 31 December 2000, with the value of £100 invested in the FTSE 250 Index. It shows that in the last five years Tullow has delivered Total Shareholder Return of 325% compared to 60% for the FTSE 250 Index.