Tullow Oil plc

2009 Full year results

10 March 2010

Continued exploration success

Results in line with market expectations

Poised for major production growth in Ghana and Uganda

10 March 2010 – Tullow Oil plc (Tullow), the independent oil and gas exploration and production group, announces its results for the year ended 31 December 2009.

Results summary

The reported financial results for 2009 are in line with market expectations and down compared with 2008. The successful completion of new debt facilities and equity placings, coupled with the proposed Uganda farmdown, are major steps in ensuring that the Group remains well funded to continue to execute its medium term exploration, appraisal and development programmes.

	2009	2008	Change
Sales revenue (£m)	582	692	- 16%
Operating profit (£m)	95	300	- 68%
Profit before tax (£m)	20	299	- 93%
Profit after tax (£m)	19	226	- 92%
Basic earnings per share (pence)	1.9	30.9	- 94%
Final dividend per share (pence)	4.0	4.0	0%
Operating cash flow before working capital (£m)	374	519	- 28%
Production (boepd, working interest basis)	58,300	66,600	- 12%
Realised oil price (US$ per bbl)	60.0	73.6	- 18%
Realised gas price (pence per therm)	39.3	52.4	- 25%

Key highlights

- Outstanding exploration performance: 13 discoveries from 15 wells
- Major discoveries: Jobi-Rii (previously Buffalo-Giraffe) in Uganda; Tweneboa in Ghana
- Venus wildcat result extends the Jubilee play to the Equatorial Atlantic Liberian and Guyana Basins
- Total and Shell farm in to French Guiana supporting Jubilee play extension to South America
- Exercised pre-emption over Heritage Oil's Ugandan sale in Jan 2010 for up to US$1.5 billion; CNOOC and Total proposed as new joint venture partners in Uganda to facilitate aligned and accelerated basin development
- Jubilee project remains on schedule and on budget; first oil expected Q4 2010
- US$2.25 billion debt facilities secured; £1.33 billion raised through equity placings in 2009 and 2010

Commenting today, Aidan Heavey, Chief Executive, said:

"A strong performance in 2009 and an excellent start to 2010 has enabled the Group to continue to create material exploration and development opportunities. Although our 2009 reported results still reflect a period of financial transition, first oil in Ghana from the Jubilee field later this year will result in considerable production growth and increased cash flow. Our transformational exploration programme continues apace with up to 30 wells planned for 2010. In Uganda we are working closely with the government and two potential new partners to accelerate development. Our future growth is well underpinned by a significantly strengthened capital structure and overall the performance prospects for the Group are very strong."

Presentation, Webcast and Conference Calls: In conjunction with these results, Tullow will conduct a presentation in London and a number of events for the financial community. Details are available on page 26 of this announcement and in the Results Centre on the Group's website at www.tullowoil.com.

2009 Full year results overview

Results reflect financial transition phase

In 2009, the Group's financial results were down compared with a record 2008. This is mainly as a result of lower production volumes and commodity prices and an increased IAS 39 charge. However, the financial results reflect the stage the Group is currently at with its key development projects and the investment required to fundamentally transform the business. With first oil from Ghana due later this year, Tullow is now entering a phase that should deliver major production growth from the end of 2010.

Record exploration success

Exploration and appraisal activity continued apace, delivering a record 87% success rate. Highlights included the 300 million barrel Jobi-Rii discovery in Uganda, and the Tweneboa discovery in Ghana. The successful Venus B-1 exploration well in Sierra Leone demonstrated a petroleum system that significantly extends the Jubilee play making the deepwater Equatorial Atlantic region amongst the most exciting and highly prospective in the world today.

Solid production and fast track development

A strong performance from our producing fields delivered working interest production of 58,300 boepd and a Reserves and Resources replacement of over 400% in 2009. The industry-leading fast track delivery of the Jubilee deepwater development should substantially increase production over the coming years. Development work has now started in Uganda and is targeting early production from well testing in 2010 and first commercial oil production and a gas to power development in 2011. Working interest production for 2010 is forecast to average 55 - 57,000 boepd.

Environment, Health and Safety

Tullow's 2009 Lost Time Incident Frequency Rate was 0.76 (2008: 0.54) and there were no major environmental incidents during the year. Very sadly, Tullow had its first fatality in 25 years of operations in 2009 when a building contractor died at the Bangora gas facility in Bangladesh.

Strong portfolio management

Tullow is working closely with the Ugandan Government to gain approval for the pre-emption of Heritage Oil's interests in Blocks 1 and 3A in parallel with a farmdown process which is now at an advanced stage. Two new potential partners have been identified, CNOOC and Total, and the farmdown will result in a unified partnership with excellent industry experience and considerable financial capability to facilitate accelerated development.

Building a very strong team

In 2009, the Tullow team grew by 24% with 670 people employed by the Group at year-end. We have 78% Ugandan nationals working in-country and over 80% Ghanaians in our operations in Ghana. Our 2009 independent employee survey delivered excellent engagement results and our staff turnover rate was only 2.0% for the year.

Strengthened capital structure

A US$2 billion refinancing was secured in March 2009 and a further $250 million corporate facility was finalised in December 2009. Gross proceeds of £1.3 billion were raised from two successful equity placings in January 2009 and January 2010. Coupled, with the anticipated Ugandan farmdown, the Group will have successfully restructured the balance sheet and put in place a more appropriate capital structure for the medium term.

Prudent dividend policy

Tullow has significant opportunities to increase shareholder value by continuing to invest in its portfolio of assets, principally in Ghana and Uganda, and the Board feels that it is appropriate to maintain the final dividend at the 2008 level. The final dividend proposed is 4.0 pence per share bringing the total payout for 2009 to 6.0 pence per share (2008: 6.0 pence per share). The dividend will be paid on 21 May 2010 to shareholders on the register on 16 April 2010. The Annual General Meeting will be held on May 12 at Haberdashers Hall in London.

A very bright future

Tullow delivered another outstanding year in 2009 and the pace of activity continues as we move into 2010, with some remarkable achievements already. We fully expect 2010 to be another strong year. We plan to consolidate the exceptional progress achieved in the last five years and leverage our unique position, particularly as Africa's leading independent oil company.

Operations Review

AFRICA

2009 Results highlights

Total production 38,500 boepd	Total reserves and resources 831.0 mmboe	Sales revenue £409.5 million	2009 investment £696.3 million

- 2009 working interest production averaged 38,500 boepd
- 87% exploration and appraisal success rate
- Jubilee development remains within budget and on track for Q4 2010 first oil
- Tweneboa – significant oil and gas-condensate field discovered in Ghana
- Jubilee play extended to Tullow acreage in the Equatorial Atlantic Liberian and Guyana Basins
- Jobi-Rii – Largest recent oil discovery onshore sub-Saharan Africa
- CNOOC and Total – potential to add very strong partners to support development in Uganda

Uganda

2009 has been another landmark year for Tullow in Uganda. The discovered resource base is now in excess of 800 million barrels of oil and the first phase of development targeting gas to power and first commercial oil production in 2011 has commenced. In addition, through a series of ongoing transactions, Tullow is in the process of aligning the equity interests across the basin to accelerate development.

Strong partnership to accelerate basin development

In October 2009, Tullow commenced a transparent farmdown process to sell a proportion of its interests in Blocks 1, 2 and 3A in the Lake Albert Rift Basin. The purpose of this process is to bring in experienced and like-minded partners with downstream expertise to deliver an accelerated basin-wide development. The process attracted strong interest from a number of major international and national oil companies who visited Tullow's datarooms and Ugandan operations and made representations to the Government of Uganda.

On 23 November 2009 Heritage Oil Plc, Tullow's partner in the basin and operator of Blocks 1 and 3A, announced its intention to sell its entire interests in Uganda. On 17 January 2010, Tullow chose to exercise its right of pre-emption on this transaction and a formal request for Government consent for the assets to be transferred to Tullow was submitted on 2 February 2010. The acquisition price for these interests is up to $1.5 billion.

Tullow continues to work closely with the Government to gain approval for the pre-emption of the Heritage interests in parallel with the farmdown process which is now at an advanced stage. Two new potential partners have been identified, CNOOC and Total, and it is expected that each partner will acquire a one third interest in each of the three blocks. Presentations by all parties have recently been made to the relevant Ugandan authorities and Tullow expects the transactions to be signed in coming weeks. This will result in a unified partnership with considerable experience and financial capability to enable Uganda to become a significant oil producing nation.

Significant discoveries made during the year

In 2009, Tullow continued its exploration and appraisal campaign to prove up further resources in Uganda and gain a good understanding of the resource distribution across the basin. Exploration drilling activities during the year focused mainly on the Butiaba area and also the Ngassa-2 well in Kaiso-Tonya. In 2009, the Group drilled nine wells and total contingent resources for the basin are now in excess of 800 million barrels. Tullow is confident that the basin has the potential to deliver significant additional resources with over 1.5 billion barrels yet to find.

Tullow has now gained a good understanding of the Butiaba region of Blocks 1 & 2 where a high exploration well density and detailed gravity imaging has significantly de-risked the remaining prospectivity. Seven wells were drilled in this region during the year, six of which encountered oil: Giraffe-1, Karuka-2, Nsoga-1, Kigogole-3, Wahrindi-1 and Ngara-1. Giraffe-1, in particular, is a transformational well as it confirmed the Buffalo-Giraffe field (subsequently renamed Jobi-Rii) to be a 300 million barrel discovery with significant further potential, which is to be drilled in 2010. Awaka-1 was the only dry well drilled in Uganda during the year. The well encountered a new sand fairway but was unsuccessful in finding hydrocarbons and effectively delineated the edge of a key geological play in this region.

Drilling activities in Butiaba have been supplemented by leading edge subsurface imaging technologies. During the year, the largest ever Full Tensor Gravity Gradiometry (FTG) survey in Africa, was acquired. FTG is a specialist technology ideally suited for imaging near-basement reservoirs. This survey has been integrated with the regional 2D seismic dataset using techniques developed by Tullow's geoscientists and technology partners. This technology is being successfully used to better define the Butiaba fields and prospects in 3D, at a fraction of the cost and time required for a regional 3D seismic survey. In addition, a low-impact weight-drop 3D seismic campaign was successfully trialled over the Kasamene and Wahrindi discoveries. The trials proved the technology to be robust, quicker and cheaper than conventional seismic equipment, with a much lower environmental impact.

In the Kaiso-Tonya area, the Mputa-5 appraisal well was drilled in March 2009 and was successfully tested at a stable flow rate of 950 bopd. The well results validated the state of the art seismic modelling techniques used to identify and target 'sweet-spots' in the reservoir. This technology will be deployed throughout the Butiaba area.

The near-shore Ngassa-2 well in Block 2 was drilled in March 2009 from an onshore location. The well reached a total depth of 3,822 metres and encountered an over-pressured interval indicating the potential for a significant oil column which could cover an area in excess of 150 sq km. This discovery has the potential to be the largest in the basin to date. Further appraisal drilling will be required offshore to test multiple prospects as well as appraise the expansive Ngassa structure. Tullow expects to make a commitment to offshore drilling infrastructure in the first half of 2010.

Following a planned pause in drilling from September 2009, exploration and appraisal drilling recommenced in January 2010 with the first Kasamene appraisal well, Kasamene-2. The well successfully confirmed an oil column in excess of 70 metres and a gas column of over 20 metres. The well has been suspended as a future producer and will be part of the Phase 1 Lake Albert Rift Basin development.

A programme of 10 further exploration and appraisal wells, including wells to trial development drilling techniques, utilising two land rigs is scheduled to start in April. Material prospectivity around the Jobi-Rii field will be targeted in Block 1 as well as key appraisal wells in advance of Block 2 development.

Phased basin-wide development commenced

Following the significant exploration success in 2009 and the progress made in forming a new aligned partnership, the focus is now on delivering an accelerated development programme. Tullow is therefore working on clearly defining the phases of development with the Government of Uganda with Phase 1 already under way.

Lake Albert Phase 1: This involves the development of the Nzizi gas field to fuel a regional thermal power station and the Kasamene oil field in Block 2 for industrial consumption in Uganda.

Tullow has embarked upon FEED studies to develop the Nzizi gas field to supply gas to a new-build thermal power plant to be constructed in Hoima District. The Nzizi gas discovery will be appraised during the second quarter of 2010 and will then be developed to supply gas to the power plant with both the field and the power plant coming onstream by the end of 2011. The power plant is being designed to accept both gas and crude to ensure long term supply.

Detailed development planning for the Kasamene field commenced in the second half of 2009 and FEED studies are currently under way. It is expected that a Plan of Development will be submitted to the Government of Uganda mid- 2010 for their approval and subsequent project sanction. Production from this field is expected to commence by the end of 2011. The oil will initially be transported by truck and later by pipeline to a central gathering and distribution hub for onward transportation to domestic and regional markets. Initial production capacity of this field development is expected to be around 10,000 bopd with the facilities capable of modular expansion, as further phases of the basin development are brought on stream.

An extended well testing programme is planned to support the development planning of the Kasamene field and subsequent fields, and to supplement the appraisal drilling planned for 2010. This programme, which is focused on gathering essential dynamic production data and testing of proposed production systems will commence in mid-2010, starting with the Kasamene field. The crude oil produced during testing operations will be used to supply fuel to local industrial users providing the first domestically produced oil in sub-Saharan East Africa. The appraisal drilling and well testing will be complemented by in-fill 2D and 3D seismic acquisition.

Beyond Phase 1: The first objective of the new proposed partnership will be to agree a basin-wide development plan that will encompass the production of the northern and southern fields via an integrated infrastructure, at levels which could exceed 200,000 bopd, to supply a local refinery and export surplus crude to regional and international markets. The proposed Phase 1 development will provide essential subsurface and production data to support this basin-wide development plan.

Congo (DRC)

Tullow has interests in two Congo (DRC) licences adjacent to its Ugandan acreage on Lake Albert. Following the award of the licences in 2006, the validity of the award was disputed in 2008. Tullow continues to work closely with the Government of Congo (DRC) and is confident of its title to the licences and the integrity of the award process. Tullow expects the President of Congo (DRC) to ratify the contracts in the near future.

Ghana and Equatorial Atlantic

Tullow's position in the Equatorial Atlantic region offshore West Africa incorporates 11 blocks covering four countries: Sierra Leone, Liberia, Côte d'Ivoire and Ghana. In total the Group has prospective acreage over an area of approximately 24,000 sq km stretching along 1,100 km of coastline.

2009 has been another very successful year in this region for Tullow. The Group drilled six exploration and appraisal wells of which five encountered hydrocarbons. Successful wells included the discovery of the significant Tweneboa oil and gas-condensate field and the Venus-1 well which extended the Jubilee play significantly westwards. In addition, excellent progress was made on the Phase 1 Jubilee development project which remains on budget and on schedule for first oil in the fourth quarter of 2010.

Major exploration and appraisal success in Ghana

Following the successful Mahogany-3 appraisal well in the West Cape Three Points licence at the end of 2008, an exploratory appraisal programme in the south-eastern part of the Greater Jubilee area commenced in October 2009. To date, the Mahogany-4 and Mahogany Deep-2 wells have been drilled, both encountering significant oil reservoirs and have highlighted further prospectivity to the south and east.

The total gross resource base for the Greater Jubilee Area is still considered to range from 600 mmbo (P90) through a most likely 1,200 mmbo (P50) to an upside 1,800 mmbo (P10). Interpretation of the recent appraisal and development drilling results has however enabled Tullow to better define the resource estimates for the Jubilee Unit Area within these gross resource estimates. The Jubilee Unit Area is considered to have a gross resource base of 500 mmbo (P90) through a most likely 700 mmbo (P50) to an upside of 1,000 mmbo (P10). This resource base will be developed in several phases, of which Phase 1 is under way with first oil expected in Q4 2010.

The remainder of the Greater Jubilee potential is to the southeast and also includes the Sapele and Dahoma satellite exploration prospects. The next stage of exploratory appraisal in the south-eastern area commenced in February 2010 with Dahoma-1 and will be followed by Mahogany-5 in April.

In March 2009, the Tweneboa-1 exploration well in the Deep Water Tano block, targeting a 200 sq km turbidite fan complex, discovered a significant light hydrocarbon accumulation. The first appraisal well, Tweneboa-2, was drilled six kilometres southeast of the discovery well in January 2010 and proved up a combined oil and gas-condensate column of at least 350 metres. This has confirmed Tweneboa as a major oil and gas-condensate field with potential to yield significant volumes of condensate and light oil. Gross resource volume estimates for the Tweneboa-Owo-Ntomme fan complex have been revised to 100 mmboe (P90) through a most likely 400 mmboe (P50) to an upside of 1,400 mmboe (P10).

Success at Tweneboa is being followed up by an accelerated programme of exploration and appraisal wells in 2010 including a flow test. The first of these wells will be the Owo-1 exploration well and Tweneboa-3 will then target the Ntomme lobe in the southeast of the fan.

In November 2009 the Odum discovery was successfully appraised by the Odum-2 well. This accumulation will likely be developed as a satellite to further discoveries in the area.

Following the reprocessing of the high resolution 3D seismic acquired in 2008, significant prospectivity has been identified in the West Cape Three Points licence east of the Greater Jubilee Area. Detailed seismic interpretation is ongoing in order to optimise the drilling location for a strategic exploration well in this area.

The Ghana prospect inventory, plus the discovered resources in the Greater Jubilee Area and Tweneboa-Owo-Ntomme amount to a gross upside potential of over 4.5 billion boe.

Play extended through new ventures and wildcat wells

In the first half of 2009, Tullow farmed into three blocks in Liberia and two blocks in Sierra Leone, significantly expanding the Group's exposure to the Jubilee play in the West African Equatorial Atlantic region. This was immediately followed by the acquisition of 6,000 sq km of high quality 3D seismic data, one of the largest surveys ever recorded. The results are currently being interpreted to high grade a comprehensive prospect inventory which includes a large number of Jubilee-type stratigraphic traps. In September, Tullow participated in the Venus-B1 exploration well in Sierra Leone, the first ever deepwater well in the Liberian basin. The well encountered hydrocarbons and proved a working petroleum system with analogous geological characteristics to those offshore Ghana. These well results have been integrated with the Liberian seismic data to calibrate this highly prospective deepwater acreage. Three wells are planned on this acreage in the second half of 2010.

In Côte d'Ivoire, the South Grand Lahou-1 wildcat, chasing the Jubilee play, was drilled in the CI-105 licence, in October 2009. It encountered the targeted reservoir sands on prognosis but found them water-bearing at this location. The data gained is however providing valuable proprietary insights into the Jubilee play fairways and will be followed up with the acquisition of 2,300 sq km of 3D seismic data over the CI-103 and CI-105 licences chasing follow-up prospectivity.

Excellent progress on Jubilee Phase 1 development

The Jubilee Phase 1 development project continues to meet key project milestones, remains on track for oil production to commence in the fourth quarter of 2010 and is within its US$3.1 billion budget. This will provide first oil approximately 40 months after the field was discovered, a new benchmark for the global deep water industry. Significant regulatory milestones were also achieved in 2009 including the formal approval by the Government of Ghana of the Jubilee Plan of Development, the signing of the Field Unitisation Agreement and the approval of the Environmental Impact Assessment (EIA). Further phases of development to access the significant Jubilee Unit Area resource potential, of up to 1,000 mmbo, are now being prepared and will include further infill wells, additional subsea systems and reviewing the potential to increase the capacity of the Floating, Production, Storage and Offtake vessel (FPSO).

Good progress was made on the FPSO construction during 2009 in Singapore. All process modules and the external turret have now been installed and module integration and commissioning work is ongoing. The fabrication of the subsea equipment including manifolds, risers, flowlines and control umbilicals was completed in 2009 and installation work commenced, as scheduled, in January 2010. The FPSO is scheduled to depart for Ghana in the second quarter of 2010 and will be connected to the subsea network during the fourth quarter of 2010.

Phase 1 development will include nine production wells expected to produce at a plateau rate of 120,000 bopd. Pressure support will be provided by six water injection wells and 2 gas injection wells. The wells are being drilled and completed by the Eirik Raude semi submersible rig. Operations to date have been on time and on budget with 16 wells drilled and the installation of production tubing and completion equipment is now under way. Well completion operations, taking approximately 15 months, commenced in February 2010. Well results continue to be in line with pre-drill expectations. Well testing has proven deliverability in excess of 20,000 barrels of oil per day per well and reservoir connectivity over distances exceeding six kilometres.

Gas produced during oil production will initially be re-injected to provide pressure support for production. An export project to deliver gas to shore for power generation is however under consideration by GNPC. It is expected that in the longer term, the Jubilee field will supply approximately 70% of its associated gas to this scheme.

During the year a comprehensive EIA was carried out on the project. In December, the Ghana Environmental Protection Agency issued the first part of a two-stage approval to cover the installation and commissioning phase of the project. The EIA met both Ghanaian legislative requirements and international good practice and involved key stakeholders through a detailed public consultation process.

Equatorial Guinea

Gross combined production from the Okume Complex and Ceiba fields averaged approximately 106,000 bopd in 2009. Two rigs drilled five development wells on the Okume Complex during the year to maintain plateau production. Drilling activities are expected to continue into the second half of 2010 with nine wells planned. A time-lapse (4-D) seismic survey is planned in 2010 over both fields to identify infill targets and optimise well locations.

Gabon

Net production from Tullow's Gabon assets averaged 12,000 bopd in 2009. During the year Tullow exercised its back-in option on the Ebouri and Onal fields adding 1,200 bopd of net production. Production was also supported by successful workovers on the Echira and Niungo fields. Niungo production is expected to be further enhanced during 2010 with four horizontal infill wells planned. In total, 39 production wells are planned on the Group's Gabon assets in 2010 and net production is expected to average 12,400 bopd.

Tullow completed the acquisition of a 1,300 sq km 3D seismic survey in the Kiarsseny block and completed seismic reprocessing and interpretative work in the Azobe permit where the Noix de Coco prospect is expected to be drilled in 2010. The Maroc-Nord-1 exploration well, drilled in February 2010, discovered 50 metres net oil pay in an emerging under-explored stratigraphic trap play which will be brought into the Onal area development and followed-up through further exploration and appraisal drilling.

Côte d'Ivoire

Gross production from the East and West Espoir fields was in line with expectations in 2009, averaging 23,550 boepd. A planned upgrade to the processing capacity of the FPSO was deferred in 2009 and is now scheduled for mid-2010. The upgrade will provide capacity for future incremental production projects including an infill drilling campaign planned for 2011/12.

Congo (Brazzaville)

An active reservoir management programme on the onshore M'Boundi field was initiated in 2008 and continued throughout 2009 focusing on development drilling and a water injection upgrade. Utilising six land rigs, a total of 18 producers and five injection wells were drilled during the year and the water injection rate was increased from 46,000 to 60,000 bwipd. Gross field production during 2009 averaged 39,500 bopd. In 2010, the combination of the 35 new wells and an increase in water injection capacity to 200,000 bwipd by the end of the second quarter, is expected to increase gross average production to 42,000 bopd.

Mauritania and Senegal

Gross production from the offshore Chinguetti field averaged approximately 10,750 bopd for 2009. Production has declined in line with expectations through the year and has recently stabilised due to high facilities uptime and prudent reservoir management. Potential for further drilling in 2010 and beyond continues to be evaluated. Work is ongoing to review the development options that would allow commercialisation of the Banda gas field. The development options are currently under discussion with the Mauritanian Government to ensure that they meet both partner and Government objectives.

A planned break in exploration drilling has provided time to complete a thorough two-year regional basin and prospectivity review. From this review numerous plays, leads and prospects have emerged. The new prospects are unrelated to the established thin Miocene reservoir plays, such as Chinguetti, pursued by previous operators which proved difficult to develop. Instead, Tullow is drawing on its Equatorial Atlantic successes to target high-impact Cretaceous prospectivity. Two exploration wells are planned to be drilled in 2010 in Mauritania ahead of further planned exploration activity in 2011 and 2012.

Tanzania

Tullow has interests in the onshore Lindi and Mtwara blocks in the frontier Ruvuma Basin in southern Tanzania. Following interpretation of newly reprocessed seismic data, Likonde-1 was selected as the first well to establish the potential of a possible new oil play fairway. The well commenced drilling in January 2010 and a result is expected in late March 2010. Further evaluation planned for 2010 includes reprocessing the seismic dataset and incorporating and interpreting the new drilling results, the outcome of which will influence the forward exploration programme.

Namibia

In Namibia progress is being made in re-invigorating the development of the 1.3 TCF offshore Kudu field. Inter-governmental talks between Russia, Namibia and South Africa have taken place in an attempt to move forward the development via a gas-to-power project. This has resulted in Gazprom announcing its plans to build an 800 MW power station. Eskom, the South African power utility, will be the targeted buyer of electricity that is surplus to Namibia's requirements. Tullow fully supports this initiative to commercialise Kudu gas and is working with the

Ministry, Gazprom and the existing partners to progress this new initiative. Should this initiative proceed as planned, Tullow will be Upstream Operator and will reduce its equity to around 30%.

REST OF THE WORLD

2009 Results highlights

Total production	Total reserves and resources	Sales revenue	2009 investment
19,800 boepd	62.7 mmboe	£172.8 million	£60.1 million

- 2009 working interest production averaged 19,800 boepd
- Jubilee-type play potential identified in South American acreage
- Shell and Total – major partners introduced in French Guiana
- Restructuring of Pakistan to non-operated business completed

The Group's Rest of the World assets form an important part of Tullow's business. Gas production in the UK and South Asia generate strong revenues and combine low risk exploration prospects and development opportunities in Europe with high-impact potential in South America and South Asia.

Europe

Tullow's well established producing assets lie in the Southern Gas Basin offshore UK and are centred around two gas producing hubs, associated fields and infrastructure. Tullow also has a portfolio of operated exploration blocks offshore the Netherlands where it is looking to capitalise on the exploration success it has experienced in adjacent UK blocks over the last seven years. In 2009, the decision was taken to assign the Group's Portuguese interests to other licence partners, following completion of an agreed work programme and detailed analysis of the results.

UK

Net UK production for 2009 was in line with expectations at 14,450 boepd (2008: 20,095). Several factors were responsible for this 28% reduction including the sale of Tullow's Hewett field interests in 2008, the re-scheduling of infill wells in the CMS Area and natural field decline. EHS performance and production efficiency were excellent on the Group's operated fields throughout the year. Successful in-fill drilling and well interventions were completed on Boulton and Murdoch and will help support future production levels.

In the Thames Area, the modifications to allow combined flow from the Wissey and Horne & Wren fields were completed in May 2009, thereby boosting Thames infrastructure throughput and improving asset longevity. The Bure North development well targeted an infill opportunity in the Bure field but results showed that the reservoir compartment was depleted by other producing wells in the area and consequently the well was abandoned.

In the CMS Area, the operated Ketch field performed above expectation during 2009. During July 2009, works to tie-in the third-party Topaz development to the Schooner platform were successfully completed. Production from this field commenced in November adding tariff income and reducing unit operating cost of the field. The KA-08Z infill well on the Ketch field has been sanctioned and is due to spud in the second quarter of 2010. Planning and design work is well advanced and a rig has been secured.

In 2009, three non-operated infill wells were drilled on the Murdoch and Boulton fields. These wells added over 100 mmscfd to CMS gross production. Further infill opportunities are being considered for 2010 including a re-drill of the Boulton B1 well which ceased production in August following a build-up of salt in the well bore.

The Harrison discovery provides the most attractive near term development opportunity in the CMS Area. Work on this project progressed in 2009 and a Joint Operating Agreement was signed by the field partners. Major capital expenditure was deferred to 2010 and first gas is now expected in 2012. In addition, the partnership is evaluating drilling possibilities on the adjacent Cameron prospect. The scope of the Harrison development is likely to include the option to tie-in a successful Cameron discovery.

Netherlands

Leveraging on the success and experience gained in the Carboniferous play of the UK CMS, Tullow has built a strong exploration position within the adjacent Carboniferous province of the Dutch offshore and is now in a strong position to exploit this play. In April 2009, Tullow added to the six operated exploration blocks already held with the award of Block E11. Tullow and its partners initiated two major regional 3D seismic reprocessing programmes in 2009. Over 1,000 sq km of seismic on the E and D blocks have been included and results thus far are very encouraging. Exploration drilling is planned for later in 2010.

Portugal

Tullow holds interests in three blocks in the Alentejo Basin - Lavagante, Santola and Gamba. Interpretation of 3,000 km of proprietary 2D seismic and over 5,000 km of 2D has resulted in a number of high-risk exploration leads being developed. Following completion of the agreed work programme and a detailed evaluation of the full subsurface dataset in 2009, Tullow plans to assign its interest in this acreage to other licence partners.

South Asia

The demand for energy in Asian economies remains strong and this region offers Tullow excellent growth potential through exploration, particularly in Pakistan where the Group has a significant non-operated position.

Bangladesh

Production from the Bangora field increased from 100 to 120 mmscfd, the maximum capacity of the gas processing facility, following a successful workover and tie-in of the Bangora-3 well in October 2009. In addition, a Hydrocarbon Dewpoint Control system is being installed at the Bangora Processing Facility which will enhance condensate recovery from the gas stream and deliver full specification gas to the export pipeline. The system is due to be commissioned during the first half of 2010.

Elsewhere in Bangladesh, Tullow was awarded offshore Block SS-08-05 as part of the Third Licensing Round. Contract negotiations are expected to be completed in early 2010, thereby enabling the acquisition of a 2D seismic programme during the 2010/2011 weather window.

Pakistan

As part of a restructuring of the Group's business in Pakistan Tullow reached agreement, during 2009, to dispose of its producing assets to focus on non-operated exploration activities. In January 2009, a sale and purchase agreement was signed for the Chachar field and the field interest was transferred to Pakistan Petroleum Ltd. In November 2009, a sale and purchase agreement was signed for our interests in the Sara/Suri gas fields and completion of that transaction is subject to approval from the Government of Pakistan.

The Mesozoic and Tertiary aged Tethys Basin between Kurdistan and Pakistan forms one of the richest petroleum provinces in the world and provides Tullow with access to significant upside potential. Existing hydrocarbon infrastructure provides a ready link to a growing regional energy market and creates lucrative opportunities to quickly monetise discoveries.

Shekhan-1, the first exploration well since the restructuring of our Pakistan business, commenced drilling in the Kohat block in November. The well is designed to test a large thrust anticline and is expected to reach total depth in late-March 2010. Based on several significant analogous discoveries made in the surrounding areas in recent years, multiple sandstone and limestone reservoir intervals are being targeted.

Elsewhere in Pakistan, seismic operations are planned to recommence in the Kalchas block. Results to date enhance the prospectivity of this block with confirmation that the surface anticline continues into the subsurface forming a valid trap at depth.

South America

In South America, Tullow's main focus is on the transform margin from Guyana through Suriname to French Guiana, where the Group is seeking to replicate the success at Jubilee throughout the Equatorial Atlantic region. Tullow's frontier exploration programmes are being matured with a view to a high-impact drilling campaign in 2010 and 2011.

French Guiana

Following a complete re-evaluation of the exploration potential of the extensive (32,500 sq km) Guyane Maritime block in 2008, the focus of attention shifted to high-impact leads in the southeast portion of the block, the 'Eastern

Slope' play. These leads comprise high-risk stratigraphic traps analogous to the Jubilee field offshore Ghana being formed in contemporaneous Upper Cretaceous turbidite fans.

To de-risk the prospectivity and delineate drilling targets, a 2,500 sq km 3D seismic survey commenced in September 2009 and was completed in March 2010. Processing and interpretation of this data will take place during the rest of the year. Planning for drilling operations has commenced with a view to securing a deepwater rig to enable Tullow to spud its first well in the block around year end.

In the fourth quarter of 2009, Tullow farmed out 33% of its 97.5% holding in this block to Shell and a further 25% to Total, leaving Tullow with 39.5%. Northpet Investments retains the remaining 2.5%. Shell has an option to take up a further 12% and the operatorship in late-2010. The assignment of interests to both Shell and Total await formal approval from the French Government.

Guyana

An extensive 3D seismic survey was completed over the Georgetown block early in 2009. The data has been processed and interpreted and a number of stratigraphic trap prospects at Upper Cretaceous and Tertiary levels have been identified and matured. Drilling is expected to commence around year-end.

Suriname

In the onshore Uitkijk block the drilling programme was completed in early 2009. The wells were targeting stratigraphically-trapped heavy oil at shallow depths in Lower Tertiary sands analogous to the adjacent Tamberadjo field. Oil pay was encountered in two wells. The drilling of five wells in the onshore Coronie block, in the same play, was originally scheduled for 2009 but due to delays with the rig construction this has now moved into 2010.

Finance review

Historically Tullow has primarily been funded through a combination of operational cash flow, portfolio management and reserve based debt facilities. The scale of our current exploration portfolio, exceptional exploration success and associated appraisal, together with the fast-track development of two world-class basins in Ghana and Uganda, have resulted in a number of important operational and financial strategic decisions being taken in 2009 and 2010. These will enable the Group to continue to grow the business underpinned by an appropriate capital structure. Key decisions have included:

- An operational focus on the development of Jubilee Phase 1 in Ghana , the commercialisation of the Lake Albert Rift basin in Uganda and a high impact exploration drilling programme
- Raising £402 million of equity and extending the reserves based lend debt facility to $2 billion (£1.3 billion) in the first quarter of 2009; and adding a Corporate debt facility of $250 million (£160 million) in December 2009
- Taking a decision to pre-empt the sale of Heritage Oil and Gas' Ugandan assets and then farming down our interests by bringing in partners to deliver a unified and accelerated basin development plan
- Raising a further £925 million of equity in January 2010 to facilitate the Uganda pre-emption and then, after the farmdown, to provide substantial financial flexibility for the foreseeable future

From a financial perspective, these decisions should allow Tullow to comfortably bridge the gap between the current cash and profit generating ability from the Group's existing mature production portfolio into more significant production and cash flow in the future commencing with Jubilee Phase 1 production in the fourth quarter of 2010.

2009 full year results	2009	2008	Change
Production (boepd, working interest basis)	58,300	66,600	- 12%
Sales volume (boepd)	46,100	55,000	-16%
Realised oil price per bbl (US$)	60.0	73.6	-18%
Realised gas price (pence per therm)	39.3	52.4	-25%
Cash operating costs per boe (£)[1]	7.28	5.90	+ 23%
Operating cash flow before working capital per boe (£)	17.5	21.3	- 18%
Net debt (£ million)[2]	718	400	+ 80%
Interest cover (times)[3]	10.2	17.8	- 7.6 times
Gearing (%)[4]	47	30	+ 17%

1. Cash operating costs are cost of sales excluding depletion, depreciation and amortisation and under/over lift movements
2. Net debt is cash and cash equivalents less financial liabilities
3. Interest cover is earnings before interest, tax, depreciation and amortisation charges and exploration written off divided by net finance costs
4. Gearing is net debt divided by net assets

2009 financial results were down compared with the record results recorded in 2008 primarily because of the following:

- Production volumes were 12% lower due to natural decline and the focus on Ghana and Uganda developments
- Lower oil and gas prices; and the impact of sterling weakness on dollar based costs
- Exploration write-offs were £174 million lower in 2009, but this was more than offset by asset disposal proceeds that were £231 million higher in 2008
- An IAS 39 charge of £37 million in 2009 compared with a benefit of £43 million in 2008

Production, commodity prices and revenue

Working interest production averaged 58,300 boepd, 12% lower than 2008, due to natural decline in mature fields and deferred production due to the reallocation of capital to development projects and high-impact exploration. Sales volumes averaged 46,100 boepd, representing a decrease of 16%, also driven by changes in the proportion of sales arising from Production Sharing Contracts (PSC).

On average, oil prices in 2009 were lower than 2008 levels reflecting the global economic downturn. Realised oil price after hedging for 2009 was US$60.0/bbl (2008: US$73.6/bbl), a reduction of 18%. Tullow's oil production sold at an average discount of 2% to Brent Crude during 2009 (2008: 4% discount).

UK gas prices in 2009 were significantly lower than 2008 levels. The realised UK gas price after hedging for 2009 was 39.3p/therm (2008: 52.4p/therm), a reduction of 25%.

Lower commodity prices and lower sales volumes were partially offset by the weakening of Sterling against the US dollar which averaged approximately GBP£1:US$1.55 in 2009 compared to GBP£1:US$1.90 in 2008. Overall revenue decreased by 16% to £582.3 million (2008: £691.7 million).

Operating costs, depreciation and impairments

Underlying cash operating costs, which exclude depletion and amortisation and movements on under/overlift, amounted to £155.1 million (£7.28/boe) (2008: £143.9 million; £5.90/boe). In absolute terms cash operating costs increased by 8%, principally due to the significant weakening in sterling during the period which materially affected the cost in sterling terms of the underlying US$ cash operating costs. Cash operating costs on a per barrel basis increased by 23% above 2008 levels, principally due to the weakening of sterling but also due to the decrease in production volumes during the year.

Depreciation, depletion and amortisation charges before impairment charges for the year amounted to £223.2 million (£10.54/boe) (2008: £198.4 million; £8.14/boe). The depreciation rate for 2009 was also materially affected by the weakening of sterling when compared to 2008. The Group has also recognised an impairment charge of £8.1 million (£0.38/boe) (2008: £26.3 million; £1.08/boe) in respect of the Chinguetti field in Mauritania.

At the year end the Group was in a net overlift position amounting to 148,000 barrels. The movements during 2009 in the overlift position compared with 2008 and stock movements during the year have given rise to a charge of £6.3 million to cost of sales (2008: credit of £6.4 million).

Administrative expenses of £49.5 million (2008: £43.0 million) include an amount of £11.3 million (2008: £7.9 million) associated with IFRS 2 – Share-based payments. The increase in total general and administrative costs is also due to the continued growth of the company during 2009 with staff numbers increasing by 24% to 670 people.

Exploration write-off

Exploration costs written-off were £52.8 million (2008: £226.7 million), in accordance with the Group's 'successful efforts' accounting policy, which requires all costs associated with unsuccessful exploration are written-off to the Income Statement. This write-off is principally associated with exploration activities in Cote D'Ivoire, new ventures activity and licence relinquishments. In 2008, Tullow undertook a fundamental review of its exploration portfolio following the decision to focus on fast tracking its discoveries in Ghana and Uganda coupled with a more selective high impact exploration programme. This resulted in significant write-offs in respect of interests in Mauritania, Suriname, Tanzania, and Trinidad and Tobago.

Derivative instruments

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

At 31 December 2009, the Group's derivative instruments had a net negative mark-to-market value of £11.1 million (2008: positive £49.3 million). This is principally due to the increase in the oil price from the beginning of 2009.

While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a pre-tax charge of £37.2 million (2008: credit of £42.9 million) has been recognised in the income statement for 2009. The charge is principally due to a combination of Brent forward oil prices strengthening during the year and reduced volatilities, with a consequent reduction in the time value of the oil derivative instruments for Tullow. This was only partially mitigated by a credit for time value on gas derivative instruments arising from UK gas prices which weakened during the year.

Commodity hedging summary

At 3 March 2010 the Group's commodity hedge position to the end of 2012 was as follows:

Hedge position	2010	2011	2012
Oil hedges			
Volume - bopd	14,500	11,000	7,000
Current price hedge – US$/bbl	81.66	83.55	84.68
Gas hedges			
Volume – mmscfd	29.45	10.43	4.31
Current price hedge - p/therm	42.00	45.98	47.06

Operating profit

Operating profit amounted to £95.1 million (2008: £299.7 million), a decrease of 68%. The reduction was principally due to lower commodity prices and sales volumes and the significant profits relating to portfolio management activities in 2008, partly offset by lower exploration costs written-off during 2009.

Gearing, financing costs and interest cover

The net interest charge for the period was £37.6 million (2008: £43.3 million) and reflects the increase in net debt levels during 2009 offset by an increase in interest capitalised during the year on qualifying assets, principally due to the Jubilee phase 1 development in Ghana.

At 31 December 2009, Tullow had net debt of £718.3 million (2008: £400.4 million), while unutilised debt capacity was in excess of US$620 million. The Group's gearing was 47% (2008: 30%) and EBITDA interest cover has decreased to 6.3 times (2008: 17.8 times).

Taxation

The tax charge of £1.8 million (2008: £73.1 million) relates to the Group's North Sea, Gabon, Equatorial Guinea, Ghanaian and Mauritanian activities. After adjusting for exploration costs and profit on disposal of subsidiaries, the Group's underlying effective tax rate is 3% (2008: 26%). The reduction in the effective tax rate is principally due to the recognition of tax losses available for utilisation against future revenues from Ghana.

Dividend

The Group has significant opportunities to increase shareholder value by continuing to invest in its portfolio of assets, principally in Ghana and Uganda, and the Board feels that it is appropriate to maintain the final dividend at the 2008 level. Consequently the Board has proposed a final dividend of 4.0 pence per share (2008: 4.0 pence per share). This brings the total payout in respect of 2009 to 6.0 pence per share (2008: 6.0 pence per share). The dividend will be paid on 21 May 2010 to shareholders on the register on 16 April 2010.

Operating cash flow; focused capital investment

Reduced commodity prices and lower sales volumes led to an operating cash flow before working capital movements of £373.5 million (2008: £518.8 million), 28% lower than 2008. This cash flow together with the equity placing proceeds helped facilitate 2009 capital investment of £757.4 million in exploration and development activities, payment of dividends and servicing of debt facilities.

Based on the current estimates and work programmes capital expenditure for 2010 is forecast to be £990 million. Approximately 40% of this investment will be allocated to exploration and appraisal and the remainder to development and production activities. Tullow's activities in Ghana and Uganda will comprise approximately 60% of the anticipated 2010 capital outlay.

Balance sheet

Total net assets at 31 December 2009 amounted to £1,525.9 million (31 December 2008: £1,309.2 million), with the increase principally due to the 9.1% share placing in January 2009, currency translation adjustments and hedge movements. Net assets decreased by £32.7 million in the year due to the movement of the hedge reserve in accordance with IAS 39 – Financial Instruments: Recognition and Measurement. A reduction in net assets (foreign currency translation reserve) of £125.8 million resulted from the strengthening of Sterling against the US Dollar from US$1.45 to US$1.60 in the year. As a consequence, underlying US Dollar denominated assets decreased in Sterling value terms at the year end.

Portfolio management

During 2009 Tullow completed the sale of the Chachar field in Pakistan for US$7.5 million (£4.8 million), received a final consideration adjustment from the 2008 sale of Tullow Oil UK Limited and farmed out an interest in the Guyane Maritime licence in French Guiana to Shell and Total.

In October 2009, Tullow commenced a transparent farmdown process to sell a proportion of its interests in Blocks 1, 2 and 3A in the Lake Albert Rift Basin. The purpose of this process was to bring in an experienced and like-minded partner with downstream expertise to commence an accelerated basin-wide development plan. The process gained strong interest from a number of major international and national oil companies who visited the dataroom and operations and made representations to the Government of Uganda.

On 23 November 2009 Heritage Oil plc, Tullow's partner in the basin, announced that it intended to sell its entire interests in Uganda. On 17 January 2010, Tullow chose to exercise its right of pre-emption on this transaction and formal request for Government consent for the assets to be transferred to Tullow was submitted on 2 February 2010. The acquisition price for these interests is up to $1.5 billion.

Tullow is now working closely with the Government to gain approval for the pre-emption of the Heritage interests in parallel with the farmdown process which is now at an advanced stage. Two new potential partners have been identified, CNOOC and Total and it is expected that each partner will take a one third interest in each of the three blocks. Presentations by all parties have recently been made to the relevant Ugandan authorities and Tullow expects the transactions to be signed by the end of the first quarter 2010. This will result in a unified partnership with considerable experience and financial capability to enable Uganda to become a significant oil producing nation.

Long-term funding

In March 2009 Tullow finalised arrangements for US$2 billion (£1.3 billion) of new debt, structured in the form of secured reserve-based lending facilities with a seven-year term. In December 2009, this was supplemented with a new US$250 million (£160 million) revolving credit facility. Tullow raised £402 million in a placing of ordinary shares in January 2009 and in January 2010 the Group raised an additional £925 million in a further placing of ordinary shares. Together with the anticipated proceeds from the Ugandan farmdown process, this funding significantly strengthens the balance sheet as Tullow seeks to:

- maintain a US$500 million (£320 million) per annum exploration programme and develop longer-term exploration options;
- accelerate development in Uganda across a unified basin with new partners; and
- progress activities in Ghana with accelerated appraisal of the Tweneboa discovery and subsequent phases of the Jubilee development.

Presentational currency

With effect from 1 January 2010 the Group will present its financial statements in US Dollars. The Group has decided it is now appropriate to change the presentational currency from Sterling as the majority of the Group's activities are in Africa where oil revenue and costs are Dollar denominated.

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 portfolio of producing fields and delays in development projects. The Group normally seeks to ensure that it has a minimum ongoing capacity of US$500 million (£320 million) for a period of at least 12 months to safeguard the Group's ability to continue as a going concern.

Following the placing announced in January 2010, the planned portfolio activity and with the US$2 billion (£1.28 billion) financing already secured in March 2009, the Group's forecasts and projections show that there is significant capacity and financial flexibility for the 12 months from the date of the 2009 Annual Report and Accounts.

After taking account of the above, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 2009 Annual Report and Accounts.

Principal Risks to 2010 performance

In common with other companies in the oil sector, Tullow is exposed to commodity price risk, the delivery of major projects and ensuring safe operations in all locations. The Board determines key risks for the company and required mitigation plans and reviews delivery on a regular basis. Key specifics for 2010 include delivery of Jubilee first Oil, completion of the Uganda pre-emption and farm down and maintaining an adequate hedging programme.

Financial strategy and outlook

Tullow's financial strategy is to ensure the Group has a strong and well funded balance sheet. This means having the capacity to undertake a significant and growing activity set through a combination of operating cash flow and an appropriate mix of debt and equity funding, supplemented by selective acquisitions and divestments.

The outlook for 2010 is very positive for Tullow. First oil from Jubilee in the second half of 2010, the Group's equity fund raising and the successful completion of the Ugandan farmdown will all ensure that Tullow is adequately capitalised to fund its growth strategy.

Ends

Disclaimer

This results announcement contains certain forward-looking statements that are subject to the risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Group believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to a variety of factors including specific factors identified in this statement and other factors outlined in the Group's 2009 Annual Report.

Condensed Consolidated Income Statement

Year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Group revenue		582.3	691.7
Cost of sales		(398.1)	(366.1)
Gross profit		184.2	325.6
Administrative expenses		(49.5)	(43.0)
Profit on disposal of subsidiaries		10.1	213.2
Profit on disposal of oil and gas assets		3.1	30.6
Exploration costs written off		(52.8)	(226.7)
Operating Profit		95.1	299.7
(Loss)/gain on hedging instruments		(37.2)	42.9
Finance revenue		1.3	3.9
Finance costs		(38.9)	(47.2)
Profit from Continuing Activities before Tax		20.3	299.3
Income tax expense	7	(1.8)	(73.1)
Profit for the Period from Continuing Activities		18.5	226.2
Attributable to:			
Owners of the parent		15.1	223.2
Minority interest		3.4	3.0
		18.5	226.2
Earnings per Ordinary Share		Stg p	Stg p
– Basic	2	1.87	30.86
– Diluted	2	1.85	30.49

Condensed Consolidated Statement of Comprehensive Income and Expense

Year ended 31 December 2009

	2009 £m	2008 £m
Profit for the year	18.5	226.2
Cashflow Hedges		
(Losses)/gains arising from the period	(25.6)	88.5
Less: Reclassfication adjustments for (losses)/gains included in profit	(15.3)	74.8
	(40.9)	163.3
Exchange differences on translation of foreign operations	(128.1)	222.3
Other comprehensive Income	(169.0)	385.6
Tax relating to components of other comprehensive income	8.2	(2.3)
Other Comprehensive Income for the year	(160.8)	383.3
Total Comprehensive Income for the year	(142.3)	609.5
Attributable to:		
Owners of the parent	(143.4)	599.6
Minority interest	1.1	9.8
	(142.3)	609.5

Condensed Consolidated Balance Sheet

As at December 2009

	2009 £m	2008 £m
ASSETS		
Non-current assets		
Intangible exploration and evaluation assets	1,333.2	1,417.8
Property, plant and equipment	1,380.2	986.4
Investments	0.7	0.4
Deferred tax assets	31.6	-
Derivative financial instruments	-	29.3
	2,745.7	2,433.9
Current assets		
Inventories	68.8	37.8
Trade receivables	58.0	69.3
Other current assets	185.8	60.2
Cash and cash equivalents	158.3	311.0
Derivative financial instruments	1.4	20.0
	472.3	498.3
Total Assets	3,218.0	2,932.2
LIABILITIES		
Current liabilities		
Trade and other payables	(350.0)	(330.2)
Other financial liabilities	-	(210.5)
Current tax liabilities	(46.3)	(105.3)
	(396.3)	(646.0)
Non-current liabilities		
Trade and other payables	(20.0)	(6.1)
Other financial liabilities	(825.4)	(489.0)
Deferred tax liabilities	(297.6)	(347.9)
Provisions	(140.3)	(134.0)
Derivative financial instruments	(12.5)	-
	(1,295.8)	(977.0)
Total liabilities	(1,692.1)	(1,623.0)
Net assets	1,525.9	1,309.2
EQUITY		
Called up share capital	80.4	73.3
Share premium	167.8	160.7
Other reserves	427.5	582.1
Retained earnings	823.8	467.8
Equity attributable to equity holders of the parent	1,499.5	1,283.9
Minority Interest	26.4	25.3
Total equity	1,525.9	1,309.2

Condensed Consolidated Cash Flow Statement

Year ended 31 December 2008

	Note	2009 £m	2008 £m
Cash flows from operating activities			
Cash generated from operations	8	293.8	587.7
Income taxes paid		(118.8)	(76.9)
Net cash from operating activities		175.0	510.8
Cash flows from investing activities			
Disposal of subsidiaries		3.2	207.8
Disposal of oil and gas assets		7.8	77.5
Purchase of intangible exploration & evaluation assets		(425.9)	(323.6)
Purchase of property, plant and equipment		(331.5)	(136.8)
Finance revenue		0.8	3.4
Net cash used in investing activities		(745.6)	(171.7)
Cash flows from financing activities			
Net proceeds from issue of share capital		397.1	8.1
Debt arrangement fees		(64.2)	(5.3)
Repayment of bank loans		(240.3)	(372.6)
Drawdown of bank loan		448.2	312.9
Finance costs		(31.4)	(40.4)
Dividends paid		(48.1)	(43.2)
Purchase of treasury shares		(3.5)	(11.2)
Net cash generated by /(used in) financing activities		457.8	(151.7)
Net (decrease)/increase in cash and cash equivalents		(112.8)	187.4
Cash and cash equivalents at beginning of year		311.0	82.2
Translation Difference		(39.9)	41.4
Cash and cash equivalents at end of year		158.3	311.0

Notes to the Preliminary Financial Statements

Year ended 31 December 2009

1. Basis of Accounting and Presentation of Financial Information

While the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to distribute the full financial statements that comply with IFRS in April 2010.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) OR (3) Companies Act 2006.

The accounting policies applied are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 31 December 2008.

2. Earnings per Share

The calculation of basic earnings per share is based on the profit for the year after taxation attributable to equity holders of the parent of £15.1 million (2008: £223.2 million) and a weighted average number of shares in issue of 796.4 million (2008: 723.4 million).

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 outstanding, however, is adjusted to show the potential dilution if employee share options are converted into ordinary shares. The weighted average number of ordinary shares is increased by 9.0 million (2008: 8.7 million) in respect of employee share options, resulting in a diluted weighted average number of shares of 805.4 million (2008: 732.0 million).

3. Dividends

During the year the Company paid a final 2008 dividend of 4.0 pence per share and an interim 2009 dividend of 2.0p per share, a total dividend of 6.0 pence per share (2008: 6.0 pence per share). The Directors intend to recommend a final 2009 dividend of 4.0 pence per share, which, if approved at the AGM, will be paid on 21 May 2010 to shareholders on the register of the Company on 16 April 2010.

4. 2009 Annual Report and Accounts

The Annual Report and Accounts will be mailed on 12 April 2010 only to those shareholders who have elected to receive it. Otherwise, shareholders will be notified that the Annual Report and Accounts is available on the website (www.tullowoil.com). Copies of the Annual Report and Accounts will also be available from the Company's registered office at 3rd Floor, Building 11, Chiswick Park, 566 Chiswick High Road, London, W4 5YS.

5. Annual General Meeting

The Annual General Meeting is due to be held at Haberdashers' Hall, 18 West Smithfield, London, EC1A 9HQ on Wednesday 12 May 2010 at 12 noon.

6. Segmental Reporting

The Group has adopted IFRS 8 - Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. The adoption of IFRS 8 has not resulted in any changes in the disclosure of the Group's operating segments.

In the opinion of the Directors the operations of the Group comprise one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. The Group also operates within four geographical markets, Africa, Europe, South Asia and South America.

The following tables present revenue, profit and certain asset and liability information regarding the Group's business segments for the year ended 31 December 2009 and 2008.

	Africa £m	Europe £m	South Asia £m	South America £m	Unallocated £m	Total £m
2009						
Sales revenue by origin	409.5	158.8	14.0	-	-	582.3
Segment result	134.4	(6.8)	5.1	(1.3)	-	131.4
Profit on disposal of subsidiaries						10.1
Profit on sale of oil and gas assets						3.1
Unallocated corporate expenses						(49.5)
Operating profit						95.1
Loss on hedging instruments						(37.2)
Finance revenue						1.3
Finance costs						(38.9)
Profit before tax						20.3
Income tax expense						(1.8)
Profit after tax						18.5
Total assets	2,612.7	410.6	49.0	116.7	29.0	3,218.0
Total liabilities	(623.5)	(167.0)	(11.4)	(30.9)	(859.3)	(1,692.1)
Other segment information						
Capital expenditure:						
Property, plant and equipment	316.5	30.4	3.3	-	5.9	356.1
Intangible fixed assets	409.6	17.4	2.5	6.4	1.6	437.5
Depletion, depreciation and amortization	(137.1)	(80.9)	(5.2)	-	(5.4)	(228.6)
Impairment losses recognized in income	(8.1)	-	-	-	-	(8.1)
Exploration write off	(13.3)	(35.9)	(1.0)	(1.3)	(1.3)	(52.8)

	Africa £m	Europe £m	South Asia £m	South America £m	Unallocated £m	Total £m
2008						
Sales revenue by origin	475.7	204.6	11.4	-	-	691.7
Segment result	137.4	50.6	(31.8)	(40.5)	-	115.7
Profit on disposal of subsidiaries						213.2
Profit on disposal of oil and gas assets						30.6
Unallocated corporate expenses						(59.8)
Operating profit						299.7
Gain on hedging instruments						42.9
Finance revenue						3.9
Finance costs						(47.2)
Profit before tax						299.3
Income tax expense						(73.1)
Profit after tax						226.2
Total assets	2,229.7	495.1	65.3	100.6	41.5	2,932.2
Total liabilities	(651.3)	(213.0)	(19.4)	(31.8)	(707.5)	(1,623.0)
Other segment information						
Capital expenditure:						
Property, plant and equipment	103.7	40.0	4.4	-	7.0	155.1
Intangible fixed assets	293.7	34.4	11.6	12.1	-	351.8
Depletion, depreciation and amortisation	(110.7)	(82.0)	(5.7)	-	(4.0)	(202.4)
Impairment losses recognised in income	(18.2)	-	(8.1)	-	-	(26.3)
Exploration write off	(146.9)	(12.6)	(26.7)	(40.5)	-	(226.7)

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.

7. Taxation on profit on ordinary activities

a. Analysis of charge in period

The tax charge comprises:

	2009 £m	2008 £m
Current tax		
UK corporation tax	20.9	38.6
Foreign taxation	49.1	77.0
Total corporate tax	70.0	115.6
UK petroleum revenue tax	(2.8)	1.4
Total current tax	67.2	117.0
Deferred tax		
UK corporation tax	(45.4)	(10.4)
Foreign taxation	(20.1)	(37.4)
Total corporate tax	(65.5)	(47.8)
UK petroleum revenue tax	0.1	3.9
Total deferred tax	(65.4)	(43.9)

	2009	2008
Total tax expense	1.8	73.1

b. Factors affecting tax charge for period

As the Group earns a significant portion of its profits in the UK the tax rates applied to profit on ordinary activities in preparing the reconciliation below is the standard rate of UK corporation tax applicable to the Group's oil and gas activities plus the rate of supplementary corporation tax (SCT).

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 upstream profits (30%) plus the rate of SCT in respect of UK upstream profits (20%) to the profit before tax is as follows:

	2009 £m	2008 £m
Group profit on ordinary activities before tax	20.3	299.3
Tax on group profit on ordinary activities at a combined standard UK corporation tax and SCT rate of 50% (2006: 50%)	10.1	149.6
Effects of:		
Expenses not deductible for tax purposes	7.7	0.9
Utilisation of tax losses not previously recognised	(10.7)	1.8
Net losses not recognised	38.4	118.4
Petroleum revenue tax (PRT)	(2.7)	5.2
UK corporation tax deductions for current PRT	1.3	(2.6)
Adjustments relating to prior years	(4.4)	(0.4)
Income taxed at a different rate	3.5	(29.8)
Income not subject to CT	(41.4)	(170.0)
Group total tax expense for the year	1.8	73.1

The Group's profit before taxation will continue to be subject to 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 depend on the jurisdictions in which pre-tax profits and exploration costs written off arise.

The Group has tax losses of £373.3 million (2008: £155 million) that are available indefinitely 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 £24.4 million in deferred tax assets in relation to taxable losses (2008: £nil).

No deferred tax liability is recognised on temporary differences of £277 million (2008: £270 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.

8. Cash Flows from Operating Activities

	2009 £m	2008 £m
Profit before taxation	20.3	299.3
Adjustments for:		
Depletion, depreciation and amortisation	228.6	202.3
Impairment loss	8.1	26.3
Exploration costs written off	52.8	226.7
Profit on disposal of subsidiaries	(10.1)	(213.3)
Profit on disposal of oil and gas assets	(3.1)	(30.6)
Decommissioning expenditure	(1.3)	(0.2)
Share-based payment charge	3.4	7.9
Loss/(gain) on hedging instruments	37.2	(42.9)
Finance revenue	(1.3)	(3.9)
Finance costs	38.9	47.2
Operating cash flow before working capital movements	373.5	518.8
(Increase)/decrease in trade and other receivables	(118.3)	18.5
Increase in inventories	(33.7)	(12.9)
Increase in trade payables	72.3	63.3
Cash generated from operations	293.8	587.7

9. Disposal of oil and gas assets

Profit on disposal of oil and gas assets of £3.1million (2008: £30.6 million) comprises £2.5 million deferred consideration received due to the extension of the Ngosso Permit in Cameroon that was sold during 2007 and £0.3 million in relation to the CMS disposal during 2008. The remaining £0.3 million is consideration received at first gas in relation to the West Bukha field in Oman that was sold during 1996.

10. Disposal of subsidiaries

An additional £10.1 million (2008: £213.2 million) has been recognised on the sale of Tullow Oil UK Limited in 2009 following the settlement of tax and other working capital adjustments.

11. Called up equity share capital

In the year ended 31 December 2009, the Group issued 4,486,268 (31 December 2008: 6,926,931) new shares in respect of employee share options and in January 2009 66,938,141 (31 December 2008: 6,352,114) new shares in respect of a share placing to institutional investors representing an increase of approximately 9.1% of the existing issued share capital (2008 in settlement of a royalty obligation).

As at 31 December 2009 the Group had in issue 804,313,976 allotted and fully paid ordinary shares of Stg10 pence each (31 December 2008: 732,889,567).

12. Commercial Reserves and Contingent Resources Summary (unaudited) working interest basis

	AFRICA		EUROPE		SOUTH ASIA		TOTAL		
	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Petroleum mmboe
Commercial Reserves									
1 Jan 2009	256.5	12.3	1.8	191.4	-	130.9	258.3	334.6	314.1
Revisions	13.0	12.3	(0.4)	(22.0)	-	-	12.6	(9.7)	11.0
Disposals	-	-	-	-	-	(20.3)	-	(20.3)	(3.4)
Production	(13.9)	(1.2)	(0.2)	(30.4)	-	(11.6)	(14.1)	(43.2)	(21.3)
31 December 2009	255.6	23.4	1.2	139.0	-	99.0	256.8	261.4	300.4
Contingent Resources									
1 Jan 2009	301.6	1,110.5	-	131.8	-	16.2	301.6	1,258.5	511.3
Revisions	83.6	7.1	-	(16.9)	-	-	83.6	(9.8)	82.0
31 December 2009	385.2	1,117.6	-	114.9	-	16.2	385.2	1,248.7	593.3
Total									
31 December 2009	640.8	1,141.0	1.2	253.9	-	115.2	642.0	1,510.1	893.7

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 both Tullow's estimates and the Group reserves report produced by an independent engineer.

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 265.4 mmboe at 31 December 2009 (31 December 2008: 114.5 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 development within the foreseeable future.

About Tullow Oil plc

Tullow Oil plc is a leading independent oil and gas, exploration and production group and is quoted on the London and Irish Stock Exchanges (symbol: TLW.L). The Group has interests in over 85 production and exploration licences in 23 countries and focuses on four core areas: Africa, Europe, South Asia and South America. For further information please consult the Group's website www.tullowoil.com.

Events on results day

In conjunction with these results Tullow is conducting a London Presentation and a number of events for the financial community.

09.00 GMT - UK/European conference call (and simultaneous Video webcast)

To access the call please dial the appropriate number below shortly before the call and ask for the Tullow Oil plc conference call. A replay facility will be available from approximately noon on 10 March until 16 March. The telephone numbers and access codes are:

Live event		Replay facility available from Noon	
UK Participants	020 7806 1968	UK Participants	020 7111 1244
Irish Participants	01 486 0916	Irish Participants	01 486 0902
		Access Code	6174539#

To join the live Video webcast, or play the on-demand version which will be available from noon on 10 March, you will need to have either Real Player or Windows Media Player installed on your computer.

11.00 GMT – Press Conference Call

To access the call please dial the appropriate number below shortly before the call and use the access code. The telephone numbers and access code are:

UK Participants		0800 028 1243	
International Participants	+44 20 7806 1953	UK Local Call	020 7806 1953
USA Toll Free	+1 888 935 4575	Irish Free Call	1 800 882 157

15:00 GMT - US Conference Call

To access the call please dial the appropriate number below shortly before the call and ask for the Tullow Oil plc conference call. A replay facility will be available from approximately 18.00 on 10 March until 16 March. The telephone numbers and access codes are:

Live Event		Replay Facility available from 18:00	
Domestic Toll Free	+1 888 935 4575	Domestic Toll Free	+1 866 935 5017
Toll	+1 718 354 1387	Toll	+1 347 366 9565
		Access Code	4534700#

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