Tullow Oil plc

2008 Full year results

11 March 2009

Record results in 2008

Exciting outlook for 2009 as Tullow delivers the next phase of growth

11 March 2009 – Tullow Oil plc (Tullow), the independent oil and gas exploration and production group, announces its results for the year ended 31 December 2008.

Results summary

Tullow has maintained its outstanding exploration record and made excellent progress in developing its world-class basins in Ghana and Uganda. The Group has significantly strengthened the balance sheet with asset sales in 2008, and an equity placing and a major debt financing early in 2009.

	2008	2007	Change
Sales revenue (£m)	**692**	639	+8%
Operating profit (£m)	**300**	189	+59%
Profit before tax (£m)	**299**	114	+162%
Profit after tax (£m)	**226**	53	+330%
Basic earnings per share (pence)	**30.9**	7.1	+335%
Final dividend per share (pence)	**4.0**	4.0	+0%
Operating cash flow before working capital (£m)	**519**	474	+9%
Production (boepd, working interest basis)	**66,600**	73,100	-9%
Realised oil price per bbl (US$)	**73.6**	62.7	+17%
Realised gas price (pence per therm)	**52.4**	37.3	+40%

Key highlights

- Record sales revenue, cash flow and profit
- Record reserves replacement of 582%; Resource base now 825 mmboe
- Outstanding exploration performance – 17 discoveries from 22 wells
- Portfolio management post-tax profit of £244 million on disposals
- Exploration and impairment write off of £253 million
- Major new discovery at Tweneboa in 2009 continues 100% success record in Ghana
- Jubilee development remains on track for first oil in 2H 2010
- Commercial threshold for development in Uganda comfortably exceeded
- High impact Ngassa-2 well in Uganda to commence drilling in March 2009
- US$2 billion bank facility secured and £402 million equity placing completed in 2009

Commenting today, Aidan Heavey, Chief Executive, said:

"We have had our best year ever in 2008, when unprecedented success with the drill bit was matched by material progress towards the development of two major new oil provinces. We have delivered record results and significantly increased our resource base. Looking ahead, Tullow has the right people and funding in place to continue to develop our world-class assets and deliver strong and sustainable returns for shareholders. We've made a strong start in 2009 and it promises to be an exciting and challenging year. Overall we're in excellent shape to deliver the Group's next phase of growth."

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 23 of this announcement and in the Results Centre on the Group's website at www.tullowoil.com.

2008 Full year results overview

Record results and solid production

Tullow has delivered record results for 2008 driven by a strong operational performance, higher oil and gas pricing, and profitable portfolio management offset by exploration write offs and impairments. Whilst production decreased as anticipated by 9% to 66,600 boepd, average price realisations increased, by 17% for oil and by 40% for gas. Basic earnings increased to 30.9 pence per share.

On track for Jubilee first oil in 2010

Phase 1 of the Jubilee field development in Ghana is on track for first oil in 2010, just three years after the initial discovery well in 2007. Tullow, as unit operator, has selected all major contractors and development drilling and facilities construction are under way. The Jubilee partners have all sanctioned Phase 1 development and final government approval is pending resolution of the gas development plan. The Jubilee field has resource potential of up to 1.8 billion barrels of oil and the rest of the Group's Ghanaian acreage offers substantial upside, including the recently announced Tweneboa discovery, which adds material new resource potential of up to 1.4 billion barrels of oil equivalent.

Commercial threshold exceeded in Uganda

Investment in two substantial drilling campaigns in Uganda has resulted in material discoveries including the world-class Buffalo-Giraffe and Kingfisher fields, which have discovered gross resources of circa 600 million barrels of oil. We have now exceeded the volume threshold required for full scale development to commence in the Lake Albert Rift Basin and a dedicated team will now define the optimal method to commercialise these resources.

Best ever EHS performance

An excellent health and safety performance during 2008 is a particular highlight of the year. A Lost Time Incident Frequency Rate of 0.5 per million hours worked was achieved against the current OGP average of 0.66. This is the Group's best EHS performance to date, despite operations taking place in increasingly challenging environments. These results reflect Tullow's unwavering commitment to ensure the safety of our staff, contractors, partners and local communities and our determination to continuously improve our performance in this area.

Major resource potential

Exceptional exploration and appraisal success with 17 discoveries from 22 wells led to a 274 million barrel increase in our reserves and resources. This resulted in a revised total of 825 million barrels of reserves and resources at year-end. Our reserves replacement ratio was 582%, averaging over 200% per annum for the last three years. Through our exploration and appraisal strategy we are realising the true potential of our portfolio and as we continue to execute successful drilling campaigns, we expect to further enhance and replenish our reserves and resources base over the coming years.

Financially strong

Our balance sheet is strong and well funded. We secured a US$2 billion (£1.4 billion) bank facility in March 2009 following a successful share placing in January 2009 which raised gross proceeds of £402 million and increased Tullow's existing share capital by 9.1%. The ability to achieve our funding requirements reflect strong banking and investor confidence in our business, particularly in the context of the current climate.

Major investment in people

We continue to invest in the Tullow team and increase the capability of our organisation. As the scale and complexity of our portfolio increases we are ensuring that we are fully prepared for the next phase of growth. At the start of 2008 we employed 370 people and now have a team of 540, an increase of 46%.

2009 Outlook

Given the current economic climate these will be challenging times for the oil and gas sector but Tullow is well positioned following an outstanding year in 2008. For 2009, the Group is focused on progressing Phase 1 of the Jubilee project in Ghana, fast tracking the commercialisation of Ugandan reserves and executing selective high-impact exploration and appraisal campaigns. The Group is in a very strong position, from an operational and financial perspective, to deliver these exciting and transformational projects as we move into our next phase of growth.

Operations Review

AFRICA

2008 Results highlights

Total production 41,150 boepd	Total reserves and resources 745.2 mmboe	Sales revenue £475.7 million	2008 investment £385.7 million

- 2008 working interest production averaged 41,150 boepd;
- 100% success rate achieved from 15 exploration and appraisal wells in Ghana and Uganda;
- 281 mmboe of net Reserves and Resources added to African portfolio; and
- 1.8 billion barrels of gross upside potential identified through the Jubilee field appraisal programme.

Ghana

In 2008, the Group focused on the Phase 1 of development of the Jubilee field, an appraisal campaign to determine ultimate field size and exploration work to establish the upside potential of the basin.

Outstanding exploration success

In February 2008 the Odum field was discovered in the West Cape Three Points block, some 13km east of Jubilee. This discovery opened up a new Campanian geological play in a previously unexplored reservoir interval. In November, Tullow drilled the Ebony-1 commitment well in the Shallow Water Tano block which encountered normal pressured oil sand and an over-pressured gas-condensate sand up-dip from Tweneboa-1. Data acquired from the recent Tweneboa-1 well demonstrated that although charged through Tweneboa, Ebony is not presently in pressure communication and as a result Ebony was determined to have a sub-commercial resource potential. Tullow will therefore relinquish its interest in the Shallow Water Tano licence.

In March 2009, the Tweneboa-1 exploration well, in the Deepwater Tano licence, discovered a highly pressured light hydrocarbon accumulation of up to 1.4 billion barrels of oil equivalent with a liquid yield currently considered to be in the range of 30 - 40%. The well encountered 21 metres of net pay on the edge of a giant 200 sq km Turonian fan system related to the Jubilee play. Appraisal drilling will now be required to test core areas within this stratigraphic trap where thicker Turonian reservoir sections are mapped. Several exploration and appraisal wells are being considered for drilling in the Tweneboa fan system before the end of 2010 to realise this upside potential.

The substantial Teak complex is one of an inventory of prospects located in the region. Drilling is currently scheduled to commence on Teak in the fourth quarter of 2009.

Highly successful Jubilee appraisal programme

Three appraisal wells, Mahogany-2, Hyedua-2 and Mahogany-3, were drilled on the Jubilee structure during the year. Each of the wells were approximately 5km away from the original discovery well and each intersected considerable hydrocarbon columns in the Upper and Lower Mahogany sands which are both in lateral pressure communication. The Mahogany-3 well also discovered oil in a third and potentially extensive underlying sand, Mahogany Deep, which is being considered for appraisal drilling in 2009. These results led to a significant upgrade in the gross resource base for the field with the most-likely P50 case being upgraded to 1.2 billion barrels with an upside potential case of 1.8 billion barrels. It is anticipated that the initial development area has gross reserves of 490 million barrels resulting in Tullow booking its net share of 170 million barrels at year-end. Further extension of the eastern part of the Jubilee field may be targeted through an additional Mahogany exploratory appraisal well before the end of 2009.

Flow tests performed on both Mahogany-2 and Hyedua-2 confirmed that Jubilee is a highly productive and well connected reservoir and that once the wells have been configured for long-term production, they should be capable of producing at rates in excess of 20,000 barrels of 37 degree API crude oil per day.

Jubilee Phase 1 on schedule for first oil in second half of 2010

Significant progress has been made on the Phase 1 development of the Jubilee field and the project is on schedule to deliver first oil in the second half of 2010. The field has been unitised across the Deepwater Tano and West Cape Three Points blocks with Tullow named as Unit Operator. In addition a joint venture project team has been established with Kosmos Energy appointed as the Technical Operator. The Phase 1 Plan of Development has been submitted to the Ghanaian Government along with the related Unit Agreement and both are expected to be approved in the near future following final resolution of the gas development plan.

The Phase 1 development plan involves drilling a total of 17 wells, for oil production, water injection and gas injection, which will be tied back to an FPSO with a production capacity of 120,000 bopd. Sufficient rig capacity has been contracted for the development and the first dedicated development well is under way. Contractors have been selected for all major components of the project facilities and construction work has commenced. To support all offshore operations an operational organisation and associated infrastructure have been established in the city of Accra and the port of Takoradi.

The partnership has also agreed, in principle, a gas development plan with the Government which will include the capability for gas re-injection and a gas export pipeline to the coast where a gas processing plant will be constructed. Jubilee will be a foundation supplier to this gas infrastructure and commercial agreements will be negotiated in 2009.

In light of continued exploration and appraisal success, the joint venture will commence work to evaluate the potential for further phases of development for the Jubilee field during 2009.

Uganda

In 2008 Tullow embarked on an aggressive drilling and seismic campaign in Uganda with the aim of locating sufficient resources in order to exceed the commercial threshold required to develop the Lake Albert Rift Basin for both the regional market and through an export pipeline to the Indian Ocean. The programme proved to be extremely successful with all of the 10 wells drilled encountering hydrocarbons and proving up a gross resources base for the basin of around 600 million barrels, which is significantly greater than the volume considered necessary for development. In addition, considerable upside still exists, both onshore and offshore, in Lake Albert and Tullow are confident that the basin has potential of well in excess of a billion barrels. An integrated team has now been set up to plan for the development of the resources discovered to date. The potential for early production phases will be considered.

Exceptional exploration success

Exploration drilling activities during the year have predominantly focused on the Butiaba region of Blocks 1 and 2 where eight discoveries were made. Approximately 400 million barrels have been discovered in this region including the 300 million barrel Buffalo-Giraffe discovery which lies in the southern part of Block 1. The majority of the Butiaba discoveries have been in the prolific Victoria Nile Delta play which is characterised by high net to gross reservoirs which can be clearly identified on seismic. A number of additional high impact structures have been imaged and further drilling activity, with the light OGEC rig, will continue in the area during 2009 commencing with the Vundu and Nsoga propsects. In March 2009, an integrated testing programme began on the Kasamene and Kigogole discoveries to assess reservoir deliverability of the Butiaba wells, the first well-testing in the northern part of Block 2. Initial test results from Kasamene-1, where an 18 metre interval was perforated, have yielded very encouraging results. A maximum flow rate of 3,500 bopd was achieved on a 48/64" choke at very low reservoir drawdown, supportive of world-class reservoir quality and productivity.

Most recently, the OGEC rig drilled the Mputa-5 appraisal well in the Kaiso-Tonya region. Drilling operations completed in late February, reaching a total depth of 1,231 metres. Three separate oil bearing zones were encountered with a total net oil pay of over 12 metres. The well proved the presence of hydrocarbons in the previously un-drilled south-western flank of the field and provided the deepest oil penetration in the field to date. The well results indicate that the recently acquired 3D seismic dataset and new modelling techniques can be used to more accurately identify and map the Mputa field reservoirs and other similar reservoirs in the Lake Albert Basin.

In early 2008 an exploration campaign commenced on the shores of Lake Albert, using the Nabors 221 rig, to drill the deviated high impact Ngassa-1 well, targeting a prospect located under the lake. The primary objective was not reached due to borehole instability and the well was suspended after discovering gas in the shallower horizons. The rig then moved to the Kingfisher discovery in Block 3A where the Kingfisher-2 and Kingfisher-3 appraisal wells were drilled and Kingfisher-2 was production tested. These wells proved the lateral connectivity and high productivity of the reservoir and demonstrated the structure to be shallower and the oil-water contact to be deeper than expected. These results have upgraded the resources for Kingfisher to around 200 million barrels. The rig has now moved back to Block 2 and will commence drilling the Ngassa-2 well from a more optimal location in March.

Evaluating offshore drilling solution

To enable drilling of the significant offshore exploration prospects in Lake Albert, Tullow has initiated a Front End Engineering Design (FEED) study for an offshore drilling solution. This study has been executed jointly with Tullow's partner, Heritage Oil, and is scheduled to be completed in the second quarter of 2009 with offshore drilling now anticipated in 2010.

Fast-track basin development

Following the exceptional exploration success, the pace at which resources have been discovered has exceeded expectations. As a consequence Tullow and the Government of Uganda are reconsidering the development strategy for the Lake Albert basin.

An integrated team is now in place to define the optimum development scenario for the whole basin and whilst this work is still in the early conceptual stages, it is anticipated that it will result in a phased development plan. The significant knowledge acquired from the recently completed Front End Engineering study for the previously planned Early Production System Project, which concentrated only on the development of the Mputa Field, is now being incorporated into the new plan. Early production from one or more fields will remain an integral part of the development plan. The initial phase will involve production from a small number of wells to provide early production data and crude for the local market. It is anticipated that this early production phase would then be expanded to provide more significant production volumes for the local and regional fuel oil and oil products market. The final phase is expected to involve the construction of a 1,300 km pipeline to the Indian Ocean to allow export of the resource base volumes which significantly exceed local and regional demand. It is planned to present these plans to the Government of Uganda in 2009.

Congo (DRC)

On the Congo (DRC) side of Lake Albert, Tullow has interests in two blocks. The validity of the award of these licences was disputed during 2008 however Tullow is working closely with the DRC government and continues to be confident in its title to this licence.

Equatorial Guinea

Gross production from the Ceiba Field and the Okume Complex exceeded expectations in 2008, averaging 38,000 bopd and 70,500 bopd respectively.

An infill drilling campaign on the Ceiba Field was completed in April and flowline gas lift has been installed. On the Okume Complex, development drilling on the shallow water Elon field was completed in May while drilling on the deep water Okume and Oveng fields is expected to continue until 2010 in order to maintain plateau production. Plans for further infill drilling on the Ceiba field and accelerated Okume Complex development drilling will be evaluated during the year based on oil prices and service costs.

Gabon

In 2008, production from Tullow's Gabon assets averaged 12,760 bopd. Activity during the year focused on optimisation of the current producing asset base and the development of the Ebouri, Tsiengui, and Obangue fields. Net production is expected to average over 12,000 bopd for 2009 with first production expected from a number of new fields in 2009, offsetting natural decline.

On the exploration front, existing 3D data from the Tullow operated Azobe licence is currently being reprocessed and an exploration well is planned for 2010. The operated Akoum licence expired in April 2008 and Tullow completed the sale of its 18.75% interest in the Gryphon licence to Addax Petroleum in December 2008.

Côte d'Ivoire

Gross production from the Espoir fields averaged 25,600 bopd in 2008. Development work on the West Espoir field was completed in January, with eight production and three injection wells now on line. Production is currently restricted to 22,000 boepd by the liquids and gas handling capacity on the FPSO however this figure is expected to be restored to 25,000 boepd in the fourth quarter of 2009 following completion of a facilities upgrade.

In blocks CI-103 and CI-105, 3D seismic which was processed during 2008 has delineated several Jubilee-type leads and prospects. The geophysical techniques which proved so successful in Ghana are currently being used to further evaluate the data and to select the best prospects for drilling in 2010.

Blocks CI-107 and CI-108 were relinquished in May 2008 following analysis of 3D data which had been acquired over several leads. Results revealed that there was still considerable risk associated with exploration in this frontier area in western waters off Côte d'Ivoire.

Congo (Brazzaville)

During 2008 as part of an active reservoir management programme on the onshore M'Boundi field, 14 production wells and 13 injection wells were drilled and water injection capacity was increased to 46,000 bwpd. Gross production is currently over 42,000 bopd and a field redevelopment plan is being implemented with the aim of achieving over 50,000 bopd by the end of 2009. This programme includes an upgrade of the water injection capacity to 200,000 bwpd and improvements to the gas re-injection, surface processing and power generation facilities.

Mauritania and Senegal

At the beginning of 2008 gross production from the Chinguetti field in Mauritania was under 12,000 bopd. A programme of three well interventions and two new infill wells was successfully completed during the year to increase production rates and access undrained reserves. By year-end the field was producing at rates in excess of 17,000 bopd. During 2009 production performance will be carefully monitored and analysed to evaluate if there is potential for a further drilling campaign in 2010.

Two appraisal wells were drilled on the Banda discovery in Mauritania in 2008. In April the Banda North West well encountered both oil and gas pay and pressure testing and sampling indicated that the well is in communication with the original Banda discovery well two kilometres away. The Banda East appraisal well was then drilled 5km up dip from Banda North West in October and encountered the same oil and gas contacts seen in the other wells. The seismic and well data are now being incorporated into the geological model to determine the commercial potential of the field.

In February 2008, Tullow drilled the Khop-1 exploration well in Block 6 in Senegal. Only minor oil shows were encountered and the well was abandoned, however, the well did provide important stratigraphic data pertaining to the prospective Cretaceous interval.

Namibia

During 2008, possible development schemes were reviewed for the Kudu gas resources offshore Nambia. A technical study on emerging offshore Compressed Natural Gas (CNG) technology was also carried out. CNG may offer an alternative development option to the previously preferred pipeline to shore plan and could provide a means of delivering gas to more than one regional market. Commercial analysis of the development options is being progressed with the intention of presenting a proposal to the Government in 2009 in advance of entering into negotiations with potential gas buyers.

Tanzania

Processing of the 2D seismic dataset was completed in 2008 and two prospects have been identified in the Ruvuma basin, Sudi-1 and Mikindani-1. Tullow plans to drill its first well in Tanzania, Mikindani-1, in the second half of 2009.

Liberia

Tullow continuously reviews acreage in the Equatorial Atlantic margins of West Africa and South America to identify possible analogues to the deepwater discoveries in Ghana. During 2008, offshore blocks LB-15, LB-16 and LB-17 were targeted as having high potential. A farm-in deal was concluded in January 2009 resulting in Tullow acquiring a 25% interest in all three blocks. A large 3D survey is currently being acquired to delineate high potential prospects identified on existing 2D data.

Angola

During the year existing seismic was reprocessed and a further 600 sq km of 3D data was acquired. Further evaluation in 2009 will define the future drilling programme for offshore Block 1/06, which contains the Pitangueira and Bananeira discoveries as well as additional prospects.

Cameroon

Tullow completed the sale of its interest in the offshore Ngosso licence to MOL during 2008.

Outlook

Following exceptional exploration and development success in Ghana and Uganda in 2008, resulting in a year-end Reserves and Resources upgrade of 281 million barrels, Tullow's 2009 capital programme will primarily focus on fast-track development and high impact exploration in these two countries. In particular, Tullow will be investing in Phase 1 of the Jubilee field development, to ensure it meets the target of first oil in the second half of 2010 and in an exploration and appraisal programme with a combined upside resource potential of over two billion barrels.

Given the current financial climate, investment in the non-operated areas of our African portfolio is expected to reduce in 2009 resulting in a short-term reduction in production. However, greater investment in these areas during 2010 is expected to reverse any decline in production levels.

Rest of the World

2008 Results highlights

Total production	Total reserves and resources	Sales revenue	2008 investment
25,450 boepd	80.2 mmboe	£216.0million	£94.7 million

- 2008 working interest production averaged 25,470 boepd;
- Hewett-Bacton and CMS assets in UK sold for £245 million;
- First gas achieved from the Wissey development in August 2008;
- Bangora facilities capacity upgraded to 120 mmscfd in Bangladesh; and
- 30% interest acquired in Georgetown block offshore Guyana.

Europe

UK

During 2008, while Tullow benefited from a 40% rise in UK gas prices, average net UK production was down to 20,095 boepd, some 29% lower than in 2007. This reduction, which was in line with expectations, was primarily due to the predicted natural decline in mature fields and deferral of development activities.

In the Thames area, the Wissey field was successfully brought on stream in August 2008 at a rate of 70 mmscfd and is currently producing at a rate of 25 mmscfd and the Bure North subsea development was sanctioned with first gas targeted towards the end of 2009. Both developments improve the economics of the infrastructure and extend the life of all user fields.

In the Hewett area, Tullow continued to seek opportunities to extract value from these mature facilities. As part of these initiatives, the Hewett field was fully de-manned in the first half of 2008 yielding significant cost savings and a major technical study to investigate the viability of gas storage was completed. Subsequently, in November 2008, Tullow concluded the sale of its entire interest in the Hewett-Bacton producing assets and terminal to ENI for a headline consideration of £210 million. Tullow has however retained an interest in the Carbon Capture and Storage opportunity associated with the main Hewett field and is leading a government sponsored project in partnership with two consortia. In January 2008 the Doris prospect was drilled but was unsuccessful and was plugged and abandoned.

The CMS Area fields continue to produce strongly. Technical work has identified the potential to access undepleted reservoir compartments in the Ketch field by drilling further infill wells. These wells will most likely be drilled in 2010. Two infill wells are currently drilling on the Murdoch and Boulton fields and these are expected to start producing in the second and third quarters of 2009. Detailed design work has also been carried out for the Harrison development. Sanction of the project is expected in the first half of 2009 and tendering for the platform and pipeline materials is ongoing. In June 2008 Tullow completed the sale of non-core CMS exploration and development assets to Venture Production for a consideration of £35 million.

Netherlands

Recognising the maturity and future limits in materiality to Tullow of the CMS Area, but leveraging our highly successful exploration campaigns in this region, Tullow has extended its exploration portfolio into the adjacent, relatively unexplored area of the Dutch sector. In 2008, Tullow added five blocks to its portfolio, taking the total to seven. 2009 will focus on seismic reprocessing and interpretation to refine the prospect portfolio in preparation for a drilling campaign in 2010.

Portugal

Tullow has interests in three blocks in the frontier Alentejo Basin off the southwest coast of Portugal. Regional geological studies and seismic acquisition and interpretation are nearing completion and will assist in evaluating the prospectivity of this Atlantic margin basin. If the evaluation proves encouraging, the forward work programme could include additional 3D seismic acquisition and an exploration well by 2011.

South Asia

Bangladesh

In October 2008, Tullow completed Phase II of the Bangora gas field development increasing processing capacity to 120 mmscfd and production from 70 to 100 mmscfd. Further increases are possible when the Bangora-3 well has been worked over and comes on line in the second quarter of 2009.

Elsewhere in Bangladesh, Tullow participated in the 3rd Licensing Round and successfully bid for offshore Block SS-08-05. The formal award of the block by the Government of Bangladesh is expected in the first half of 2009 and, Tullow plans to commence a 2D seismic acquisition programme later in the year. In Blocks 17&18 in the Bay of Bengal, a 250 sq km 3D seismic survey was acquired during the year. Tullow did not identify any material prospectivity on the acreage and has decided to relinquish its interest.

Pakistan

During 2008 Tullow decided to restructure its Pakistan business to address the ongoing security concerns and to enhance the value of the operations to the Group. Following this strategic decision, two key changes were made. In November, the operatorship of the Kohat exploration block was transferred to OGDCL, the Pakistan National Oil Company, with Tullow retaining its 40% interest. An exploration well is planned on this block in the first half of 2009. Secondly, in December, Tullow agreed the sale of its interest in the producing Chachar field to Pakistan Petroleum Ltd for US$7.5 million (£5.2 million). As a result, by year-end Tullow had significantly reduced its in-country office overheads whilst retaining a significant exploration interest in Pakistan.

Elsewhere in Pakistan, geological field studies and seismic operations commenced on the Kalchas block in September, where multi-TCF surface anticlines could be the target of a drilling campaign in 2010. A possible extension of the Kalchas seismic programme into the neighbouring Kohlu and Block 28 licences will be considered during 2009.

India

2008 was a disappointing year for Tullow in relation to its Indian operations. Three exploration wells were drilled on Block CB-ON/1 with no hydrocarbons being encountered. All three wells were plugged and abandoned. Following a critical review of the drilling programme and the remaining prospectivity in the block, Tullow has decided not to enter the next exploration period and has withdrawn from the licence. During the year, significant efforts were also made to progress Tullow's AA-ONJ/2 licence in Assam which had originally been applied for in 1996. However at the end of the year, Tullow also took the strategic decision to withdraw from this licence and to fully withdraw from India, closing the Group's Delhi office.

South America

French Guiana

Tullow's drilling success in the West African Transform Margin region led to a complete re-evaluation of the deep water acreage in French Guiana during 2008 where Tullow has a 97.5% interest in the extensive (35,200 sq km) Guyane Maritime licence. In addition to the potential billion barrel Matamata prospect, mapped in the north-western part of the block, a number of high impact, high risk leads have been identified in the southeast, analogous to Tullow's Jubilee field offshore Ghana. Tullow is now planning to acquire an extensive 3D seismic survey in the south-eastern portion of the block in order to advance a number of known leads to drillable prospect stage. A drilling campaign would then follow in 2010 or 2011. Tullow plans to commence a farm out programme during the first half of 2009 to reduce its capital exposure to this forthcoming programme.

Guyana

In November 2008 Tullow enhanced its South American portfolio through the acquisition of a 30% interest in the Georgetown block offshore Guyana from the YPF Group. The block covers 11,100 sq km, in water depths of 50 to 200 metres, with geological characteristics similar to French Guiana and the proven basins on the other side of the Atlantic. A 1,880 sq km 3D seismic survey was acquired during the fourth quarter of 2008 and the focus for 2009 will be the interpretation and integration of this new data with the objective of identifying exploration targets for drilling in 2010.

Suriname

In Suriname, Tullow has interests in the onshore Uitkijk and Coronie blocks which lie adjacent to the Tambaredjo field, the country's main producing heavy oil field. The 2008 drilling programme commenced in December with five shallow wells drilled in the Uitkijk licence. The results are currently being reviewed and integrated into the regional database. The Uitkijk drilling programme will be followed by a five well exploration programme on the Coronie block in early 2009.

Trinidad and Tobago

Extensive negotiations were held in 2008 in an attempt to conclude the PSC agreements on Block 2ab and the Guayaguayare block in Trinidad and Tobago. Unfortunately an acceptable commercial solution was not reached and a decision was taken to withdraw from both licences at the end of the year.

Rest of the World Outlook

In Europe, the focus is on high-grading development opportunities in the UK and completing exploration activity in Portugal and the Netherlands for drilling in 2010.

In South Asia, we have rationalised our Pakistan portfolio and continue to develop our existing Bangladesh operation.

The Group's South American business is looking to expand through new ventures, portfolio management, licence rounds and exploration. This activity will continue in 2009 with key exploration campaigns planned for 2010 and 2011.

Finance review

Key financial metrics	2008	2007	Change
Production (boepd, working interest basis)	**66,600**	73,100	-9%
Sales volume (boepd)	**55,000**	62,600	-12%
Realised oil price per bbl (US$)	**73.6**	62.7	+17%
Realised gas price (pence per therm)	**52.4**	37.3	+40%
Cash operating costs per boe (£)[1]	**5.90**	5.05	+17%
Operating cash flow before working capital per boe (£)	**21.3**	17.8	+20%
Net debt (£ million)[2]	**400**	480	-16%
Interest cover (times)[3]	**17.8**	10.4	+7.4
Gearing (%)[4]	**30**	67	-37%

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 net of unamortised arrangement fees
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

Steady production and strong commodity prices

Working interest production averaged 66,600 boepd, 9% below 2007, primarily as a result of natural decline in mature fields and deferred production due to the re-allocation of capital to development projects and high impact exploration. Sales volumes averaged 55,000 boepd, representing a decrease of 12%, driven by changes in the proportion of sales arising from Production Sharing Contracts.

On average, oil prices in 2008 were significantly above 2007 levels, although they were impacted by the global economic downturn in the second half of the year. Realised oil price after hedging for 2008 was US$73.6/bbl (2007: US$62.7/bbl), an increase of 17%. Tullow's oil production sold at an average discount of 4% to Brent during 2008 (2007: 3% discount).

UK gas prices in 2008 were extremely strong, returning to the exceptional levels seen in early 2006. Realised UK gas price after hedging for 2008 was 52.4p/therm (2007: 37.3p/therm), an increase of 40%. In Europe the Group also recorded tariff income of £10.2 million (2007: £17.5 million) from its UK infrastructure interests.

Higher commodity prices, partly offset by marginally lower sales volumes, meant that revenue increased by 8% to £691.7 million (2007: £639.2 million).

Operating costs, depreciation and impairments

Underlying cash operating costs, which exclude depletion and amortisation and movements on under/overlift, amounted to £143.9 million (£5.90/boe) (2007: £5.05/boe). These costs were 17% above 2007 levels, principally due to upward pressures in oil and gas services costs and an increase in Gabonese royalty payments which are directly linked to oil prices.

Depreciation, depletion and amortisation charges before impairment charges for the period amounted to £198.4 million (£8.14/boe) (2007: £7.61/boe). We have also recognised a further impairment charge of £26.3 million (£1.08/boe) (2007: £0.48/boe) in respect of the Chinguetti field in Mauritania and for the Chachar field in Pakistan where the asset sales price was below the carrying value in the balance sheet.

Administrative expenses of £43.1 million (2007: £31.6 million) include an amount of £7.9 million (2007: £5.4 million) associated with IFRS 2 – Share-based payments. The increase in total general and administrative costs is also due to the increase in the scale of our operations. In 2008, staff numbers increased by 46% to 540 people.

Exploration write-off and asset value reduction

Exploration write-offs associated with unsuccessful 2008 exploration activities in the UK, Bangladesh, India and Mauritania, new ventures activity and licence relinquishments totalled £62.4 million (2007: £51.1 million).

The Group has decided to primarily focus on fast tracking its world class discoveries in Ghana and Uganda and selective high impact exploration. Tullow has therefore conducted a fundamental review of the exploration asset values on its balance sheet compared with expected future work programmes and the relative attractiveness of further investment in these assets. In accordance with the Group's successful effort accounting policy, assets have been written down to reflect this more focused approach. This review has resulted in an additional write-off of £164.3 million (2007: £13.1 million) in respect of interests in Mauritania, Suriname, Tanzania and Trinidad and Tobago.

Tullow's total exploration write-off and asset value reduction for 2008 is therefore £226.7 million (2007: £64.2 million).

Operating profit

Operating profit amounted to £299.7 million (2007: £189.0 million), an increase of 59%, principally due to the higher commodity prices realised during the period, profits of £243.9 million in relation to portfolio management activities offset by exploration costs written off of £226.7 million.

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 2008, the Group's derivative instruments had a net positive mark to market value of £49.3 million (2007: negative £158.0 million). The substantial movement in the mark to market position during the year has mainly been caused by the significant weakening in oil price in the second half of 2008.

While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a credit of £42.9 million (2007: charge of £29.3 million) has been recognised in the income statement for 2008. This credit largely reflects the change in fair values of the Group's hedging instruments attributable to time value and implied volatility and value being conferred to Tullow by the hedge counterparties.

The Group's hedge position as at 4 March 2009 is summarised as follows:

Hedge position	2009	2010	2011
Oil			
Volume – bopd	14,958	7,500	1,500
Current Price Hedge - US$/bbl	59.21	74.69	63.89
Gas Hedges			
Volume – mmscfd	56.7	17.8	3.7
Current Price Hedge - p/therm	54.32	53.01	58.86

Gearing, financing costs and interest cover

The net interest charge for the period was £43.2 million (2007: £45.6 million) and reflects the reduction in net debt levels during 2008 due to improved operating cash flow and the completion of portfolio management transactions, partially offset by increased capital expenditure.

At 31 December 2008, Tullow had net debt of £400.4 million (2007: £479.5 million), while unutilised debt capacity was in excess of £230 million. The Group's gearing was 30% (2007: 67%) and EBITDA interest cover increased to 17.8 times (2007: 10.4 times).

Portfolio management

During 2008, Tullow completed the disposal of a number of non-core assets for proceeds of £285.4 million, with an overall profit on disposal after tax of £243.9 million. In Africa, Tullow completed the sale of its 40% interest in the Ngosso licence, offshore Cameroon, to MOL in July 2008. In Europe, the sale of certain CMS assets to Venture Production completed in June 2008 and the sale of a 51.68% interest in the Hewett-Bacton complex to Eni was completed in November 2008.

In January 2008, Tullow announced the sale of its 11% interest in the M'Boundi field to the Korea National Oil Company. Despite strenuous efforts, government approvals for the transfer of the asset were not forthcoming within a reasonable timeframe and therefore it was agreed that the transaction cannot be concluded. Tullow has therefore retained its 11% interest in the field and will benefit from future operational cash flows as well as debt capacity as the asset will be re-incorporated into the reserves based lending facility.

Taxation

The tax charge of £73.1 million (2007: £61.6 million) relates to the Group's North Sea, Gabon, Equatorial Guinea and Mauritanian activities and represents 24% of the Group's profit before tax (2007: 54%). This low effective tax rate is principally as a result of asset disposals that were not subject to a tax charge and oil revenues under Production Sharing Contracts where higher prices result in lower entitlement volumes rather than higher taxes.

Dividend

Due to the requirement for major capital investment during 2009, particularly in Ghana and Uganda, and in light of the current economic uncertainty the Board feels that it is prudent to maintain the final dividend at the 2007 level. Consequently the Board has proposed a final dividend of 4.0 pence per share (2007: 4.0 pence per share). This brings the total payout in respect of 2008 to 6.0 pence per share (2007: 6.0 pence per share). The dividend will be paid on 21 May 2009 to shareholders on the register on 17 April 2009.

Record levels of operating cash flow and focused capital investment

Increased commodity prices led to record operating cash flows before working capital movements of £518.8 million (2007: £473.8 million), 9% ahead of 2007. This cash flow facilitated 2008 capital investment of £460.4 million in exploration and development activities, payment of dividends, servicing of debt facilities and a reduction of over £60 million in net debt.

Tullow is currently budgeting for a total 2009 capital expenditure of approximately £600 million (2008: £480 million). Investment in 2009 will be split 70% on production and development and the remainder on exploration and appraisal. Tullow's activities in Africa will comprise 85% of the anticipated capital outlay, with the principal expenditures being in Ghana and Uganda. The potential impact on capital expenditure following the recent success at Tweneboa, coupled with ongoing success and further upside in Uganda, is under review.

Balance sheet

Total net assets at 31 December 2008 amounted to £1,309.2 million (31 December 2007: £712.7 million), with the increase principally due to the profit for the year, currency translation adjustments and hedge movements. Net assets increased by £161.0 million in the year due to the movement of the hedge reserve in accordance with IAS 39 – Financial instruments: Recognition and Measurement. The significant decrease in the oil price during the second half of the year gave rise to a net positive mark to market of £49.3 million at the year end. An increase in net assets (foreign currency translation reserve) of £222.3 million resulted from the weakening of Sterling against the US Dollar from US$2.00 to US$1.45 in the year. As a consequence underlying US Dollar denominated assets increased in Sterling value terms at the year end.

Equity placing

Tullow successfully placed 66,938,141 new ordinary shares with institutional investors at a price of 600 pence per share on 21 January 2009. Based on the placing price the gross proceeds of the placing amounted to £402 million. The placing shares represent an increase of approximately 9.1% in the Group's existing share issued share capital.

Debt Funding

In March 2009 Tullow finalised arrangements for US$2 billion (£1.38 billion) of new debt, structured in the form of secured reserve based lend facilities with a seven year term. A total of 13 commercial banks have committed to facilities of US$1.885 billion (£1.3 billion) with the remaining debt of US$115 million (£80 million) being provided by the IFC in a separate facility. The facilities have a final repayment date of December 2015 and the margin on the new facilities, depending on the amount drawn, is up to 3.75%. Tullow will use the proceeds from the facilities to repay existing debt facilities and to finance the future capital expenditure requirements of the Group, particularly in Ghana and Uganda. Tullow received strong support from its banking syndicate and it is a very significant achievement to complete a US$2 billion (£1.38 billion) financing in the current economic climate.

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 and different production rates from the Group's portfolio of producing fields. The Group normally seeks to ensure that it has a minimum ongoing capacity of £200 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 2009 and securing the US$2 billion financing 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 2008 Annual Report and Accounts.

Although there is considerable economic uncertainty at the present time, 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 2008 Annual Report and Accounts.

Financial strategy and outlook

Whilst the global economic environment is extremely challenging, the Group's successful equity placing and recent debt financing means that Tullow has a strong balance sheet and significant financial flexibility.

In 2009, the Group will continue to allocate its capital to projects that provide the opportunity for the highest return for shareholders and seek to augment underlying cashflow through continued cost and capital management and ongoing portfolio activity. The outlook for the Group is very positive, supported by disciplined financial management and significant leverage to higher oil prices.

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 2008 Annual Report.

Condensed Consolidated Income Statement

Year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Group revenue		**691,673**	639,203
Cost of sales		**(366,108)**	(353,695)
Gross profit		**325,565**	285,508
Administrative expenses		**(43,051)**	(31,628)
Disposal of subsidiaries		**213,268**	(597)
Profit on disposal of oil and gas assets		**30,614**	-
Exploration costs written off		**(226,701)**	(64,235)
Operating Profit		**299,695**	189,048
Gain/(loss) on hedging instruments		**42,927**	(29,267)
Finance revenue		**3,928**	3,095
Finance costs		**(47,238)**	(48,673)
Profit from Continuing Activities before Tax		**299,312**	114,203
Income tax expense	7	**(73,069)**	(61,609)
Profit for the Period from Continuing Activities		**226,243**	52,594
Attributable to:			
Equity holders of the parent		**223,211**	50,887
Minority interest		**3,032**	1,707
		226,243	52,594
Earnings per Ordinary Share		**Stg p**	Stg p
– Basic	2	**30.86**	7.10
– Diluted	2	**30.49**	6.96

Condensed Consolidated Statement of Recognised Income and Expense

Year ended 31 December 2008

	2008 £'000	2007 £'000
Profit for the year	**226,243**	52,594
Currency translation adjustments	**222,266**	(5,321)
Hedge movement	**160,996**	(79,780)
	383,232	(85,101)
Total recognised income and expense for the year	**609,475**	(32,507)
Attributable to:		
Equity holders of the parent	**599,631**	(34,214)
Minority interest	**9,844**	1,707
	609,475	(32,507)

Condensed Consolidated Balance Sheet

As at December 2008

	2008 £'000	2007 (as restated*) £'000
ASSETS		
Non-current assets		
Intangible exploration and evaluation assets	**1,417,777**	956,580
Property, plant and equipment	**986,374**	890,416
Investments	**447**	447
Derivative financial instruments	**29,280**	-
	2,433,878	1,847,443
Current assets		
Inventories	**37,850**	24,897
Trade receivables	**69,344**	91,443
Other current assets	**60,208**	33,351
Cash and cash equivalents	**311,020**	82,224
Derivative financial instruments	**19,989**	-
Assets held for sale	**-**	11,843
	498,411	243,759
Total Assets	**2,932,289**	2,091,202
LIABILITIES		
Current liabilities		
Trade and other payables	**(330,215)**	(180,626)
Other financial liabilities	**(210,528)**	(9,793)
Current tax liabilities	**(105,282)**	(31,457)
Derivative financial instruments	**-**	(89,509)
	(646,025)	(311,385)
Non-current liabilities		
Trade and other payables	**(6,089)**	(15,586)
Other financial liabilities	**(489,041)**	(540,272)
Deferred tax liabilities	**(347,940)**	(307,615)
Provisions	**(134,019)**	(135,139)
Derivative financial instruments	**-**	(68,535)
	(977,089)	(1,067,147)
Total liabilities	**(1,623,114)**	(1,378,532)
Net assets	**1,309,175**	712,670
EQUITY		
Called up share capital	**73,288**	71,961
Share premium	**160,714**	128,465
Other reserves	**582,131**	210,089
Retained earnings	**467,711**	286,668
Equity attributable to equity holders of the parent	**1,283,844**	697,183
Minority Interest	**25,331**	15,487
Total equity	**1,309,175**	712,670

* The 2007 comparatives have been restated due to an asset held for sale being reclassified during 2008

Condensed Consolidated Cash Flow Statement

Year ended 31 December 2008

	Note	**2008 £'000**	2007 £'000
Cash flows from operating activities			
Cash generated from operations	8	**587,650**	446,660
Income taxes paid		**(76,853)**	(30,030)
Net cash from operating activities		**510,797**	416,630
Cash flows from investing activities			
Acquisition of subsidiaries		**-**	(334,954)
Disposal of subsidiaries		**207,834**	(597)
Disposal of oil and gas assets		**77,530**	-
Purchase of intangible exploration & evaluation assets		**(323,569)**	(165,726)
Purchase of property, plant and equipment		**(136,783)**	(198,355)
Finance revenue		**3,372**	3,206
Net cash used in investing activities		**(171,616)**	(696,426)
Cash flows from financing activities			
Net proceeds from issue of share capital		**8,089**	2,661
Proceeds from issue of subsidiary share capital to minority interest		**-**	1,244
Debt arrangement fees		**(5,318)**	(8,431)
Repayment of bank loans		**(372,583)**	(29,474)
Drawdown of bank loan		**312,929**	379,979
Finance costs		**(40,441)**	(40,782)
Dividends paid		**(43,173)**	(39,406)
Purchase of treasury shares		**(11,235)**	(3,722)
Net cash (used in)/generated by financing activities		**(151,732)**	262,069
Net increase/(decrease) in cash and cash equivalents		**187,449**	(17,727)
Cash and cash equivalents at beginning of period		**82,224**	99,478
Translation Difference		**41,347**	473
Cash and cash equivalents at end of period		**311,020**	82,224

Notes to the Preliminary Financial Statements

Year ended 31 December 2008

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 2009.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 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 s237(2) or (3) Companies Act 1985.

The accounting policies applied are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 31 December 2007.

2. Earnings per Share

The calculation of basic earnings per share is based on the profit for the period after taxation of £223,221,000 (2007: £50,887,000) and a weighted average number of shares in issue of 723,355,745 (2007: 717,025,714).

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 8,675,224 (2007: 14,348,042) in respect of employee share options, resulting in a diluted weighted average number of shares of 732,030,969 (2007: 731,373,756).

3. Dividends

During the year the Company paid a final 2007 dividend of 4.0 pence per share and an interim 2008 dividend of 2.0p per share, a total dividend of 6.0 pence per share (2007: 5.5 pence per share). The Directors intend to recommend a final 2008 dividend of 4.0 pence per share, which, if approved at the AGM, will be paid on 21 May 2009 to shareholders on the register of the Company on 17 April 2009.

4. 2008 Annual Report and Accounts

The Annual Report and Accounts will be mailed on 8 April 2009 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 2009 at 12 noon.

6. Segmental Reporting

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, Europe, Africa, 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 2008 and 2007.

	Europe £'000	Africa £'000	South Asia £'000	South America £'000	Unallocated £'000	Total £'000
2008						
Sales revenue by origin	204,602	475,672	11,399	-	-	**691,673**
Segment result	50,615	137,388	(31,854)	(40,474)	-	**115,674**
Disposal of subsidiaries						**213,268**
Profit on sale of oil and gas assets						**30,614**
Unallocated corporate expenses						**(59,861)**
Operating profit						**299,695**
Gain on hedging instruments						**42,927**
Finance revenue						**3,928**
Finance costs						**(47,238)**
Profit before tax						**299,312**
Income tax expense						**(73,069)**
Profit after tax						**226,243**
Total assets	495,163	2,229,704	65,290	100,624	41,508	**2,932,289**
Total liabilities	(213,050)	(651,311)	(19,494)	(31,783)	(707,476)	**(1,623,114)**
Other segment information						
Capital expenditure:	39,990	103,710	4,408	-	7,036	**155,144**
Property, plant and equipment	34,445	293,618	11,589	12,131	-	**351,783**
Intangible fixed assets	(81,978)	(110,647)	(5,749)	-	(3,933)	**(202,307)**
Depletion, depreciation and amortisation	-	(18,220)	(8,085)	-	-	**(26,305)**
Exploration write off	(12,582)	(146,916)	(26,729)	(40,474)	-	**(226,701)**

	Europe £'000	Africa £'000	South Asia £'000	South America £'000	Unallocated £'000	Total £'000
2007						
Sales revenue by origin	258,838	371,883	8,582	-	-	**639,203**
Segment result	78,979	144,886	1,827	(4,419)	-	**221,273**
Disposal of Subsidiaries						**(597)**
Unallocated corporate expenses						**(31,628)**
Operating profit						**189,048**
Loss on hedging instruments						**(29,267)**
Finance revenue						**3,095**
Finance costs						**(48,673)**
Profit before tax						**114,203**
Income tax expense						**(61,609)**
Profit after tax						**52,594**
Total assets	553,340	1,344,226	66,465	112,008	15,163	**2,091,202**
Total liabilities	(242,597)	(527,843)	(13,870)	(37,731)	(556,491)	**(1,378,532)**
Other segment information						
Capital expenditure:						
Property, plant and equipment	86,960	115,012	6,096	-	4,145	**212,213**
Intangible fixed assets	32,587	152,129	4,411	4,745	-	**193,872**
Depletion, depreciation and amortisation	(101,359)	(98,379)	(3,286)	-	(2,781)	**(205,805)**
Impairment losses recognised in income	-	(13,834)	-	-	-	**(13,834)**
Exploration write off	(12,504)	(45,862)	(1,450)	(4,419)	-	**(64,235)**

Unallocated expenditure and net liabilities include amounts of a corporate nature and not specifically attributable to a geographic area, including tax balances and the Group debt.

7. Taxation on profit on ordinary activities

a. Analysis of charge in period

The tax charge comprises:

	2008 £'000	2007 £'000
Current tax		
UK corporation tax	**38,541**	2,328
Foreign taxation	**77,034**	27,768
Total corporate tax	**115,575**	30,096
UK petroleum revenue tax	**1,382**	11,048
Total current tax	**116,957**	41,144
Deferred tax		
UK corporation tax	**(10,355)**	21,631
Foreign taxation	**(37,385)**	229
Total corporate tax	**(47,740)**	21,860
UK petroleum revenue tax	**3,852**	(1,395)
Total deferred tax	**(43,888)**	20,465
Total tax expense	**73,069**	61,609

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:

	2008 £'000	2007 £'000
Group profit on ordinary activities before tax	**299,312**	114,203
Tax on group profit on ordinary activities at a combined standard UK corporation tax and SCT rate of 50% (2006: 50%)	**149,656**	57,102
Effects of:		
Expenses not deductible for tax purposes	**938**	12,056
Utilisation of tax losses not previously recognised	**1,863**	-
Net losses not recognised	**118,371**	50,706
Petroleum revenue tax (PRT)	**5,234**	9,654
UK corporation tax deductions for current PRT	**(2,617)**	(4,827)
Adjustments relating to prior years	**(379)**	(5,613)
Income taxed at a different rate	**(29,849)**	(7,321)
Income not subject to CT	**(170,148)**	(50,148)
Group total tax expense for the year	**73,069**	61,609

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 £155 million (2007: £131 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.

8. Cash Flows from Operating Activities

	2008 £'000	2007 £'000
Profit before taxation	**299,312**	114,203
Adjustments for:		
Depletion, depreciation and amortisation	**202,307**	205,805
Impairment loss	**26,305**	13,834
Exploration costs written off	**226,701**	64,235
Disposal of subsidiaries	**(213,268)**	597
Disposal of oil and gas assets	**(30,614)**	-
Decommissioning expenditure	**(194)**	(5,065)
Share based payment charge	**7,862**	5,388
(Gain)/loss on hedging instruments	**(42,927)**	29,267
Finance revenue	**(3,928)**	(3,095)
Finance costs	**47,238**	48,673
Operating cash flow before working capital movements	**518,794**	473,842
Decrease/(increase) in trade and other receivables	**18,548**	(20,472)
Increase in inventories	**(12,952)**	(11,162)
Increase in trade payables	**63,260**	4,452
Cash generated from operations	**587,650**	446,660

9. Disposal of oil and gas assets

On 5 November 2007 and 2 April 2008 the Group entered into sale agreements to dispose of its 40% interest in the Ngosso Permit in Cameroon and certain non-core CMS assets in the UK respectively. The disposals were completed in June 2008. The gain on disposal of oil and gas assets amounted to £30,614,000 and total consideration received in the year amounted to £77,530,000.

10. Disposal of subsidiaries

On 31 July 2008 the Group entered into a sale agreement to dispose of Tullow Oil UK Ltd. The disposal was part of the Group's active asset management programme, and provided financial flexibility for its development programmes.

The transaction completed in November 2008 giving rise to a profit on disposal of £213,268,000 and total consideration received of £207,834,000.

11. Called up equity share capital

In the year ended 31 December 2008, the Group issued 6,926,931 (31 December 2007: 2,711,407) new shares in respect of employee share options and 6,352,114 (31 December 2007: 64,998,817) in settlement of a royalty obligation (2007 in respect of the Hardman acquisition).

As at 31 December the Group had in issue 732,889,567 allotted and fully paid ordinary shares of Stg10 pence each (31 December 2007: 719,610,522).

12. Commercial Reserves and Contingent Resources Summary (Not reviewed by Auditors) working interest basis

	EUROPE		AFRICA		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 2008	2.0	258.7	131.1	20.1	-	105.9	133.1	384.7	197.2
Revisions	-	(15.9)	140.2	(6.5)	-	36.8	140.2	14.4	142.6
Disposals	-	(7.9)	-	-	-	-	-	(7.9)	(1.3)
Production	(0.2)	(43.5)	(14.8)	(1.3)	-	(11.8)	(15.0)	(56.6)	(24.4)
31 December 2008	1.8	191.4	256.5	12.3	-	130.9	258.3	334.6	314.1
Contingent Resources									
1 Jan 2008	-	129.3	160.9	1,014.5	-	16.2	160.9	1,160.0	354.2
Revisions	-	15.2	140.7	96.0	-	-	140.7	111.2	159.2
Disposals	-	(12.7)	-	-	-	-	-	(12.7)	(2.1)
31 December 2008	-	131.8	301.6	1,110.5	-	16.2	301.6	1,258.5	511.3
Total									
31 December 2008	1.8	323.2	558.1	1,122.8	-	147.1	559.9	1,593.1	825.4

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 114.5 mmboe at 31 December 2008 (31 December 2007: 128.1 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 22 countries and focuses on four core areas: Europe, Africa, 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.

09.30 GMT - UK/European conference call (and simultaneous 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 11 March until 19 March. The telephone numbers and access codes are:

Live event		**Replay facility available from Noon**	
UK Participants	020 7806 1967	UK Participants	020 7806 1970
Irish Participants	01 486 0916	Irish Participants	01 659 8321
		Access Code	1484413#

To join the live webcast, or play the on-demand version which will be available from noon on 11 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:

Live Event			
UK Participants	0808 109 0700	UK Local Call	0203 003 2666
International Participants	+44 203 003 2666	Irish Free Call	1 800 930 488
USA Toll Free	+1 866 966 5335	Access Code	4959334

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 11 March until 25 March. The telephone numbers and access codes are:

Live Event		**Replay Facility available from 18:00**	
Domestic Toll Free	+1 800 573 1506	Domestic Toll Free	+1 800 642 1687
Toll	+1 973 200 3368	Toll	+1 706 645 9291
		Access Code	87141119

For further information contact:

Tullow Oil plc **+44 20 8996 1000**	**Citigate Dewe Rogerson** **+44 20 7638 9571**	**Murray Consultants** **+353 1 498 0300**
Aidan Heavey, CEO, Ian Springett, CFO	Martin Jackson	Joe Murray
Chris Perry, Head of Investor Relations	George Cazenove	Ed Micheau