

TULLOW OIL PLC

2014

TRADING STATEMENT AND OPERATIONAL UPDATE

2 July 2014



Tullow Oil plc – Trading Statement & Operational Update

Continued E&A success in Kenya further de-risks 600mmbo discovered resources

Good progress with developments in Ghana, Kenya and Uganda

Well-funded balance sheet following second bond issue raising \$650m

2 July 2014 – Tullow Oil plc (Tullow) issues this statement to summarise recent operational activities and to provide trading guidance in respect of the financial year to 30 June 2014. This is in advance of the Group's Half Year Results, which are scheduled for release on Wednesday 30 July 2014. The information contained herein has not been audited and may be subject to further review.

Operational Update

Tullow's 2014 half-yearly financial results are expected to deliver strong revenue and gross profit in line with expectations of approximately \$1.3bn and \$650m respectively. Following a second \$650m bond issue in April 2014 and successful re-financings of our corporate revolving credit facility of US\$750m and our NOK 3bn Norwegian exploration loan facility, Tullow's balance sheet is extremely well-funded and the Group has unutilised debt capacity at the end of June 2014 of approximately \$2.3 billion.

Tullow's exploration programme over the past six months has focused mainly on Kenya, Norway, Ethiopia, Mauritania and Gabon. There have been a number of successful exploration, appraisal and testing results from the South Lokichar Basin onshore Kenya. Activity will continue during the second half of the year to refine and extend the basin potential including the Etom and Ekosowan exploration wells. Four new basins in Kenya and Ethiopia are being tested during the second half of the year and five further basins will be tested in Kenya and Ethiopia during 2015.

In Norway, results from the Hanssen well are expected shortly and the Tullow-operated Lupus well commenced drilling this week. In Gabon, results from the onshore Igongo well are expected in the next few weeks and the high impact pre-salt Sputnik-1 offshore exploration well is expected to spud in late July/early August 2014.

After mixed frontier exploration results in Mauritania, Ethiopia and Norway, combined with licence relinquishments as part of the Group's continual high-grading of acreage, Tullow expects a net exploration write off of \$415 million for the first half of the year. Post-tax, this will amount to \$305 million of which \$150 million relates directly to 2014 wells. In addition, Tullow will also record a loss on disposal in the first half 2014 of \$115 million primarily due to contingent consideration adjustments in relation to the Uganda farm-down.

In West Africa, Jubilee gross production averaged approximately 100,000 bopd for the first half 2014 and the Group expects to maintain this level of production for the full year. The deepwater TEN project in Ghana is progressing well and is on track for first oil in mid-2016.

Tullow continues to make good progress with its future developments in Kenya and Uganda, particularly around cost optimisation for Uganda and the recognition by both Governments of the benefits to their projects of a shared pipeline.

Following the re-structuring of our UK and Dutch assets sales last year, Tullow successfully sold 53.1% of its Schooner unit interest and 60% of its Ketch asset in the UK Southern North Sea to Faroe Petroleum (U.K.) Limited. Tullow is also making good progress with selling the remainder of its UK and Dutch North Sea assets. In Asia, having completed the sale of its Bangladesh assets last year, Tullow is awaiting Government consent to complete the sale of its assets in Pakistan to Ocean Pakistan Ltd. The process for reducing Tullow's stake and capital commitments in the TEN Project in Ghana is ongoing.

Group working interest production for the first half 2014 averaged 78,100 boepd, impacted by underperformance at Schooner-11 in the UK and non-operated assets in Gabon. In addition, certain non-operated production in Gabon has not been booked in the first half of 2014 due to ongoing licence discussions which are expected to be resolved in the second half of 2014. Production guidance remains unchanged for the full year at 79,000 to 85,000 boepd.

COMMENTING TODAY, AIDAN HEAVEY, CHIEF EXECUTIVE SAID:

"Tullow has continued to move the business forward over the last six months. Exploration and appraisal success in Kenya has further de-risked the 600mmbo discovered resources. We are also making good progress towards developing the oil that our exploration team has found in Ghana, Kenya and Uganda and in assessing the significant upside potential in each of these areas. We are well funded following our second bond issue and we are making steady progress with our asset disposal programme. With potential basin-opening wells across the portfolio coming up in the second half of the year and strong revenue and cash flow, Tullow is in a strong position for the remainder of this year and into 2015."

Trading Statement Guidance

Guidance is provided in relation to Tullow's financial half year to 30 June 2014 in advance of the Group's Half Year Results release on 30 July 2014.

SALES, REVENUE AND GROSS PROFIT

	1H 2014	1H 2013
Working interest production (boepd)	78,100	88,600
Sales volumes (boepd)	73,200	79,000
Total revenue (\$ bn)	1.3	1.3
Gross Profit (\$ bn)	0.65	0.8

Note 1: Working interest production volumes do not equate to sales volumes. This is due to variations in lifting schedules and because a portion of the production is delivered to host governments under the terms of Production Sharing Contracts.

Note 2: 1H 2013 production included 3,900 boepd from Bangladesh gas assets sold in 2H 2013.

REALISED PRICES

	pre hedge	post hedge
1H 2014 Realised oil price (\$/bl)	108.7	106.7
1H 2014 Realised UK gas price (p/therm)	55	55

COST OF SALES ADJUSTMENTS

	1H 2014
Overlift charge (\$m)	60

LOSS ON DISPOSAL

	1H 2014
Loss on disposal (\$m)	115

Note 3: The \$115m loss on disposal is in relation to the partial amortisation (\$79m) of contingent consideration recoverable from CNOOC and Total (the amount to be recovered is dependent upon the timing and receipt of certain project approvals as set out in the Group's 2013 Annual Report and Accounts) and a one-off payment (\$36m) in relation to licence extensions that were not received in Uganda.

EXPLORATION WRITE OFF

	Pre-tax write off	Norway Tax effect	Net write off
1H 2014 activity (\$m)	200	(50)	150
Prior years activity (\$m)	215	(60)	155
1H 2014 total exploration write off	415	(110)	305

Note 4: During 1H 2014 the Group spent \$500 million, including Norway exploration costs on a post tax cash basis, on exploration and appraisal activities, and expects a net write off of approximately \$150 million in relation to this expenditure. In addition the Group expects a net write off of approximately \$155 million in relation to prior years' expenditure following decisions not to renew certain licences. Therefore, the total net exploration write-offs for 1H 2014 are expected to be approximately \$305 million. This will be shown in the income statement as a \$415 million exploration write-off and an income tax credit of \$110 million in relation to tax received in respect of Norwegian expenditure.

CAPITAL EXPENDITURE

	1H 2014	2014
Capital expenditure (\$m)	1,000	2,100
E&A/D&O split (%)	50/50	45/55

Note 5: Capital expenditure includes Norway exploration costs on a post tax cash basis

DEBT SUMMARY

	As at 30 June 2014	As at 30 June 2013
Net Debt (\$m)	2,800	1,700
Headroom (\$m)	2,300	1,700
Committed Bank Facilities (\$m)	4,750	4,000
Corporate Bonds (\$m)	1,300	-

Note 6: On 8 April 2014 Tullow completed an offering of \$650 million of 6.25% senior notes due in 2022. The net proceeds have been used to repay existing indebtedness under the Company's credit facilities but not cancel commitments under such facilities.

Note 7: Committed bank facilities include an Exploration Finance Facility of \$500m, a working capital facility relating to exploration expenditure on our Norwegian exploration licences.

GROUP WORKING INTEREST PRODUCTION ⁽¹⁾

WEST & NORTH AFRICA	1H 2014 Average (kboepd)	2014 Forecast (kboepd)
Ghana	35.9	35.5
Equatorial Guinea		
<i>Ceiba</i>	3.5	3.2
<i>Okume</i>	6.2	6.3
Total Equatorial Guinea	9.7	9.5
Gabon		
<i>Tchatamba</i>	3.7	4.4
<i>Limande</i>	2.5	2.4
<i>Etame Complex</i>	1.3	1.2
<i>Other Gabon</i>	3.2	6.4
Total Gabon	10.7	14.4
Côte d'Ivoire	3.1	2.8
Congo (Brazzaville)	2.6	2.6
Mauritania	1.2	1.1
WEST & NORTH AFRICA TOTAL	63.2	65.9
EUROPE		
UK	9.5	9.0
Netherlands	5.2	4.9
Norway	0.2	0.2
EUROPE TOTAL	14.9	14.1
GROUP TOTAL	78.1	80.0

(1) Includes condensate

CURRENTLY PLANNED 18 MONTH EXPLORATION AND APPRAISAL ACTIVITY

Country	Block/Licence	Prospect/Well	Interest	Spud Date
WEST & NORTH AFRICA				
Gabon	Arouwe	Sputnik East	35%	Q3 2014
	Nziembou	Igongo	40%	In progress
Mauritania	C-10	Kibaro/Lamina	59.15% (op)	1H 2015
Ghana	DW Tano	Wawa-2A	49.95%	2H 2015
Guinea	Guinea Offshore	Fatala	40% (op)	1H 2015
SOUTH & EAST AFRICA				
Ethiopia	Omo	Gardim	50% (op)	In progress
Kenya	13T	Etom	50% (op)	Q3 2014
	13T	Ekales appraisal	50% (op)	Q4 2014-2015
	13T	Tausi	50% (op)	1H 2015
	10BA	Engomo (formally Kiboko)	50% (op)	Q4 2014
	10BA	North Turkana Basin well	50% (op)	1H 2015
	10BB	Amosing-2	50% (op)	In progress
	10BB	Kodos	50% (op)	Q3 2014
	10BB	Epir (formally Aze)	50% (op)	Q4 2014
	10BB	South Kerio Basin well	50% (op)	1H 2015
	10BB	Dyepa	50% (op)	1H 2015
	10BB	Ekosowan	50% (op)	Q4 2014
	10BB	Ngamia appraisal	50% (op)	Q2 2014 - Q2 2015
	10BB	Amosing appraisal	50% (op)	Q4 2014 - Q1 2015
	12A	Lead 12A-1	65% (op)	1H 2015
	12B	Lead 12B-1	50% (op)	2H 2015
Madagascar	Block 3111	Berenty	100% (op)	1H 2015
EUROPE, SOUTH AMERICA & ASIA				
Norway	PL 405	Butch SW	15%	In progress
	PL 591	Zumba	80% (op)	1H 2015
	PL 537	Hanssen	20%	In progress
	PL 494	Heimdalshø	15%	Q3 2014
	PL 642	Hagar	20%	H1 2015
	PL 507	Lupus	70% (op)	In progress
	PL537	Hassel (Wisting East N)	20%	1H 2015
	PL537	Bjaaland (Wisting East S)	20%	1H 2015
	PL626	Rovarkula	30%	1H 2015
Suriname	Block 47	Goliathberg	100% (op)	2H 2015
	Block 31	Kaiman	30%	1H 2015

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Notes to Editors**Tullow Oil plc**

Tullow is a leading independent oil & gas, exploration and production group, quoted on the London, Irish and Ghanaian stock exchanges (symbol: TLW) and is a constituent of the FTSE 100 Index. The Group has interests in over 140 exploration and production licences across 23 countries which are managed as three regional business units: West & North Africa, South & East Africa and Europe, South America and Asia.

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