Tullow Oil plc

2009 Half-yearly Report

Half-yearly results in line with market expectations
Continued exploration success; Jubilee development on track

26 August 2009 – Tullow Oil plc (Tullow), the independent oil and gas exploration and production group, announces its half-yearly results for the six months ended 30 June 2009.

2009 Half-yearly results summary

In the first half of 2009 Tullow continued to deliver major exploration success with further world-class discoveries in Ghana and Uganda. Tullow also made excellent progress towards first oil in Ghana with formal government approval received in July for the Jubilee field development plan, ensuring that facilities fabrication and development drilling remain on track. Overall financial results for the half-year are down on the first half of 2008 but in line with market expectations. This reflects a 16% decrease in production following the decision to primarily focus 2009 capital investment in Ghana and Uganda and a 25% reduction in average price realisations.

	1H 2009	1H 2008	Change
Sales revenue (£m)	**291.3**	378.0	-23%
Operating profit (£m)	**60.7**	201.3	-70%
Profit before tax (£m)	**34.8**	187.3	-81%
Profit after tax (£m)	**21.4**	126.0	-83%
Basic earnings per share (pence)	**2.73**	17.23	-84%
Interim dividend per share (pence)	**2.00**	2.00	No change
Operating cash flow before working capital (£m)	**200.9**	295.3	-32%
Production (boepd, working interest basis)	**59,265**	70,550	-16%
Realised oil price per bbl (US$)	**53.0**	80.1	-34%
Realised gas price per therm (pence)	**42.4**	51.7	-18%

Key highlights

- Jubilee Phase 1 Plan of Development formally approved by the Government of Ghana. Development drilling, FPSO conversion and subsea facilities fabrication all on track for 2H 2010 first oil;
- 90% exploration success rate in 2009 to date builds major resource potential for further appraisal:
  - Ngassa-2 encounters oil shows in two reservoir intervals; evaluation ongoing;
  - Giraffe-1 confirms the Buffalo-Giraffe field as a 300 million barrel gross discovery;
  - Tweneboa-1 makes major light hydrocarbon discovery; first appraisal well in early 2010;
  - Five exploration blocks added in Liberia and Sierra Leone; Venus-B exploration well in progress;
- US$2 billion bank facility secured and £402 million equity placing completed; and
- Group working interest production for 2009 forecast to average 58,000 bopd.

Commenting today, Aidan Heavey, Chief Executive, said:

"It has been a good first half. Our development projects are on target, our exploration campaigns continue to deliver material discoveries and we have strengthened our balance sheet to maintain financial flexibility. With continued strong progress with our major projects and further expansion of our exploration portfolio, Tullow is well positioned for significant production growth from 2010 and beyond."

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

Interim management report

Six Months ended 30 June 2009

Operations review

AFRICA

2009 Half-yearly results highlights

Total production	Total reserves and resources	Sales revenue	1H 2009 investment
38,750 boepd	741.2 mmboe	£188.4 million	£333.1 million

- Ngassa-2 well encounters oil shows in two reservoir intervals, data acquisition ongoing;
- 1H 2009 production averaged 38,750 boepd, in line with expectations;
- Jubilee Phase 1 Plan of Development approved by the Government of Ghana. Development drilling, FPSO conversion and subsea facilities fabrication all on track for 2H 2010 first oil;
- Successful farm-in offshore Liberia, with 25% interest acquired in three blocks - LB-15, LB-16 & LB-17; and
- Government of Sierra Leone approves 10% farm-in to SL-07 & SL-06/07; Venus-B exploration well ongoing.

Ghana and the West African Equatorial Atlantic

The first half of 2009 has been a very important and successful period for Tullow's operations in Ghana and along the West African Equatorial Atlantic. The Group has received key government approvals for the development of the Jubilee field, made a high-impact discovery with the Tweneboa-1 well and gained licence interests in Liberia and Sierra Leone with Jubilee-type potential.

Jubilee field Phase 1 development

Excellent progress has been made this year on the first phase of development of the Jubilee field. First oil remains on track for the second half of 2010. A significant milestone was achieved in July 2009 when the Government of Ghana formally approved the Jubilee Phase 1 Plan of Development and Unit Agreement.

To date, six development wells have been drilled to total depth and three further wells have been drilled to an intermediate depth as part of an efficient batch drilling operation. Drilling results have been in line with expectations with particularly strong test results from the Jubilee-8 and 9 wells (formerly Hyedua-2 and Mahogany-1) which flowed at gross rates in excess of 16,000 and 20,000 barrels of oil per day respectively. In addition, interference testing during the flow tests demonstrated reservoir continuity over distances of several kilometres across the field.

Facilities work for the project is also progressing well. The FPSO conversion in Singapore is on track for the vessel to sail to Ghana in the second quarter of 2010. Fabrication of the subsea equipment and flowlines is on schedule and installation offshore Ghana is expected to commence early in 2010 and take approximately six months to complete. Tie-in and commissioning of the FPSO is expected to take place in the third quarter of 2010 in advance of first oil.

Rig capacity and well scheduling

Development drilling to date has been carried out by the Blackford Dolphin, which came off contract in May as planned, and the Eirik Raude, which is now nine months into its three-year contract and has been dedicated to Jubilee field development activities. The Attwood Hunter rig is expected to arrive in Ghana at the end of this month and will be available for a nine month period. This rig will be predominantly utilised for exploration and appraisal activities, however will also be used to drill two development wells.

A further rig, the Aban Abraham, was expected to arrive in the third quarter of 2009 however the actual availability of this rig is now uncertain. The partnership is currently assessing alternative rig options in the event that the Aban Abraham does not become available. Any additional rig capacity will be focused on accelerating the exploration and appraisal activities, beyond Mahogany-4 and Tweneboa-2, which include Teak-1, Mahogany Deep-2, Owo-1 and Odum-2.

The current expected rig availability and drilling schedule for key wells in Ghana is therefore as follows:

Rig	Arrival Date	Availability	Wells
Eirik Raude	Currently Drilling	27 Months	Jubilee Drilling and Completions
Attwood Hunter	Late-August	9 Months	M-4, 2 Jubilee Wells, Twenboa-2, E&A*
Aban Abraham	Uncertain	2 Wells	E&A*

* Timing of exploration and appraisal drilling dependent on rig availability.

Exploration and appraisal activity
In January 2009, the Mahogany-3 well was drilled and proved up a significant south-eastern extension of the Jubilee field and discovered an additional, potentially extensive, underlying sand known as Mahogany Deep. Two appraisal wells are now planned in the east of the field to better define the current resource range. The first well, Mahogany-4, is scheduled for September 2009 and the second well, Mahogany Deep-2 is scheduled for the first half of 2010.

The Tweneboa-1 well was drilled in March 2009 and resulted in a light hydrocarbon discovery, extending the Turonian Jubilee play further westwards into the Deepwater Tano Block. The first appraisal well on this discovery is expected to commence drilling in January 2010. The Teak exploration well in the West Cape Three Points licence is now scheduled for the first half of 2010. Further potentially material prospects have been identified in Tullow's deepwater acreage in Ghana and will be considered for drilling later in 2010. In particular, a number of large Turonian leads are emerging through detailed and ongoing analysis of the seismic east of the Jubilee field.

Tullow has established strong positions offshore Côte d'Ivoire, Liberia and most recently Sierra Leone, in areas that are geologically analogous to the Jubilee and Tweneboa fields. In January 2009, Tullow acquired a 25% interest in three Anadarko-operated blocks offshore Liberia. The acquisition of a 6,164 sq km 3D survey across these blocks has already been completed and initial results are very encouraging. On 11 August 2009, Tullow received approval from the government of Sierra Leone to gain a 10% interest from Anadarko in two offshore blocks – SL-07 and SL-06/07.

An exploration well commenced drilling on the Venus-B prospect in Sierra Leone earlier this month with the Belford Dolphin and is expected to take 45 days to drill. This is the first deepwater well to be drilled in this region and represents an excellent opportunity to prove a new petroleum system in the deepwater Liberian Basin and significantly expand the western limit of the Jubilee play. A large number of follow up prospects have also been identified in this acreage.

On completion of the Venus well, the rig will move to Côte d'Ivoire to drill the high-impact South Grand Lahou prospect in block CI-105 which is also an analogue of the Jubilee field. Elsewhere in Côte d'Ivoire, Tullow has committed to the acquisition of further 3D seismic data and the drilling of one well in CI-103 where similar prospects have been identified. A partial farm-out to Anadarko of the Tullow operated CI-103 block has been concluded reducing Tullow's equity from 85% to 45%.

Uganda
In the first half of this year, Tullow's Ugandan exploration campaign has continued to deliver exceptional results with considerable resources added through the discovery of five further oil fields in the Butiaba region and an oil discovery at the Ngassa-2 well where data acquisition is ongoing. The total resources discovered in Uganda, excluding Ngassa, are now considered to be in excess of 700 million barrels and it is planned to have the 2009 discoveries reviewed by the independent engineer at the year end when all of the data from this successful drilling campaign has been fully evaluated. Attention is now firmly focused on short and long-term commercialisation options with first production, from Extended Well Testing, potentially commencing as early as 2010. Significant exploration and appraisal upside potential still exists and the recently interpreted gravity-seismic work is enhancing our understanding of the subsurface and will be invaluable for identifying new prospectivity and locating future wells.

Nearshore exploration at Kingfisher and Ngassa

In Block 3A, the Kingfisher appraisal programme concluded in February 2009 resulting in gross field resources of around 200 million barrels. Development planning is in progress and it is currently considered that oil production from this field could be initiated within the next two to three years.

In March 2009, the Nabors 221 rig moved to Block 2 to drill the Ngassa-2 exploration well. The well was drilled to a depth of 3,392 metres and has encountered oil shows in two reservoir intervals.

The first interval comprises a 10 metre gross sand at a depth of approximately 2,940 metres and the second interval comprises a 15 metre gross sand at a depth of approximately 3,140 metres.

The pressures in these intervals are higher than normal, which may indicate that they are associated with significant oil columns. When combined with a maximum closure of over 150 sq km, this could indicate the possibility of a significant discovery. Both intervals are however currently being further evaluated through fluid sampling and logging in order to gain a better understanding of the scale of the find. On completion of drilling operations, the well will be suspended as a potential future oil producer.

Continued success from the Butiaba and Kaiso-Tonya campaigns

The Butiaba campaign in Blocks 1 & 2 continued over the period resulting in six further successful wells: Giraffe-1, Karuka-2, Nsoga-1, Kigogole-3, Wahrindi-1 and Ngara-1. These wells have added significantly to the resource base with the transformational Giraffe-1 well confirming the Buffalo-Giraffe field as a 300 million barrel gross discovery. The other 2009 discoveries are considered by Tullow to have added over 100 million barrels gross. One dry well was drilled at the Awaka prospect which, although confirming a new reservoir fairway, did not encounter hydrocarbons. In Block 1, exploration drilling is expected to resume in late-2009 with a multi-well campaign targeting numerous amplitude supported traps associated with and neighbouring the Buffalo-Giraffe field.

The first phase of the exploration drilling campaign has been completed in the Butiaba area of Block 2 and results are being integrated with seismic and a recently acquired leading edge gravity survey. Whilst the industry has experimented with integrating electromagnetic and seismic data, Tullow's geoscientists and technology partners have established a practical and leading-edge integration of full tensor gravity gradiometry and 2D seismic data. This is being successfully used to define the Butiaba oil fields and prospects in 3D, at a fraction of the cost and time of a 3D seismic survey. Further exploration and appraisal drilling in Block 2 is expected to commence early in 2010.

Over the period, an appraisal well was drilled at Mputa-5, proving up the reservoir model and demonstrating further resource potential. This well was flow tested at a rate of 1,000 bopd. Well tests were also performed on the Kasamene and Kigogole discoveries with flow rates ranging from 350 to 3,500 barrels of oil per day, demonstrating laterally extensive reservoirs and excellent productivity. The Kasamene-type sand has been notably widespread and generally oil-bearing throughout the Victoria Nile Delta play area, which considerably de-risks the appraisal programme.

Lake Albert Rift Basin development

Tullow considers that the commercialisation of the Lake Albert Rift Basin is underpinned by a discovered gross resource base in excess of 700 million barrels and remaining exploration potential, beyond that found to date, could expand this resource base to over two billion barrels. During the first half of 2009, an integrated project team has been working to determine basin-wide development plan options. A phased development of the basin is envisaged, prioritising oil for local and regional energy and fuel requirements and export in the later phases of development.

Early production from the Kasamene field is expected to be achieved through extended well tests in 2010. This will provide important dynamic data, production operating experience and be a significant milestone for Tullow and the Ugandan government. In the next phase, production from field developments in Block 2 (Kasamene) and Block 3 (Kingfisher) is expected to be delivered initially by truck and then by pipeline to a central gathering and distribution hub, for onward transportation to regional markets. Tullow and Heritage Oil are working together in these endeavours to achieve the most efficient solution. Initial production capacity of these field developments is expected to be between 10,000 and 20,000 boepd with the facilities capable of modular expansion, as further phases of the basin development are brought on stream.

Congo (DRC)

During the first half of the year Tullow continued to work closely with the government of Congo (DRC) regarding the disputed award of two blocks on the Congo side of Lake Albert in 2006. Tullow is confident of its title to the licence, the integrity of the award process and expects the President of Congo to ratify the contract.

Equatorial Guinea

Both the Ceiba and Okume Complex fields performed above expectations during the first half of the year with combined gross production averaging 105,000 bopd. Gross production is expected to average over 100,000 bopd for 2009.

Gabon

Net production from the Gabon fields averaged 11,900 bopd in the first half of 2009, exceeding expectations. Power generation issues on the Tchatamba field during the first quarter were compensated by strong field performance in the second quarter and successful workovers on the Niungo and Echira fields. In April, Tullow exercised a 7.5% back-in option in the newly developed Ebouri field, adding net production of 560 bopd. In July, Tullow also exercised a 7.5% back-in option on the Onal field adding a further 750 bopd of net production.

Côte d'Ivoire

Gross Production performance from the East and West Espoir fields was in line with expectations in the first half of the year, averaging 22,000 boepd. Gas compression issues in the first quarter were compensated by strong production performance in the second quarter. The project to increase the FPSO capacity is ongoing and will significantly benefit 2010 production. Gross production for 2009 is expected to average 23,400 bopd.

Congo (Brazzaville)

Gross production from the M'Boundi field averaged 40,450 bopd in the first half of 2009. Five rigs are currently active in the field drilling new producers and injectors and in parallel, a major water injection upgrade is in progress which will increase capacity from 45,000 bwpd to 200,000 bwpd.

Mauritania

Gross production from the Chinguetti field averaged 12,600 bopd in the first half of 2009, with current production at approximately 10,500 bopd. Production has declined in line with expectations since the programme of well interventions and two infill wells in 2008. The field performance continues to be regularly monitored to examine the potential for further drilling and intervention activities in the longer term. Development options for the Banda gas field, and other similar potential gas accumulations, are under discussion with the Mauritanian Government.

Detailed prospect mapping, particularly in new Cretaceous plays, is ongoing to identify the oil and gas potential of the basin ahead of an exploration drilling campaign which is expected to commence in 2010.

Namibia

Technical feasibility studies on the delivery of gas from the Kudu Field to Namibian and South African markets using marine Compressed Natural Gas technology were satisfactorily completed early in the year. Negotiations are under way with NamPower, the Namibian power utility, for the supply of gas to a local 500 MW power station. Negotiations with respect to South African gas supply are also ongoing with Gigajoule Africa, an integrated energy company that has applied for gas transmission and distribution licences for the sale of gas to industrial, transport and power customers in the West Coast region of South Africa.

Angola

Targeted reprocessing of the 3D seismic data over exploration leads in offshore Block 1/06 was carried out in this period. Interpretation of the results and further evaluation of the Pitanguiera and Bananeira discoveries are due to be finalised in the second half of the year when the future drilling programme will be defined.

Tanzania

Following further seismic reprocessing it has now been decided to prioritise the Likondi prospect ahead of the Mikindani prospect. Civil works are ongoing and the well is expected to be drilled towards the end of 2009.

Rest of the World

2009 Half-yearly results highlights

Total production	Total reserves and resources	Sales revenue	1H 2009 investment
20,515 boepd	65.4 mmboe	£102.9 million	£50.9 million

- In-fill drilling on Murdoch and Boulton fields has enhanced UK production;
- Block E11 added to the Dutch exploration portfolio;
- Chachar assets in Pakistan sold for US$7.5 million (£4.8 million);
- Bangora gross production increased to 110 mmscfd following the tie-in of the Bangora-3 well; and
- Farm-in offers received for the Guyane Maritime licence in French Guiana.

Europe

UK
UK production averaged 15,158 boepd net to Tullow in the first half of 2009. This was less than anticipated due to underperformance from the Wissey field caused by Thames water handling restrictions. These issues have now been resolved and, in conjunction with higher Horne and Wren flow rates, UK production has recently returned to 17,000 boepd. In the CMS Area, three infill wells on the Murdoch and Boulton fields have been successful and will support medium term production from this area. Underperformance from the Ketch-9 well has however resulted in a reduction in Commercial Reserves of 30 bcf. UK production is expected to average approximately 15,000 boepd for the full year, with several maintenance shut-downs and a disappointing result from the Bure North infill well impacting second half forecasts. Investment in the development of the Harrison field and further infill wells are planned for 2010.

Netherlands
Tullow has built a strong exploration portfolio within the Carboniferous province of the Dutch sector and in April this year complimented its position with the award of a further block, E11. Tullow and its partners are now embarking on a regional 3D seismic reprocessing programme of over 1,000 sq km to mature the prospect inventory ahead of potential drilling and seismic campaigns in 2010.

Portugal
In the deepwater Alentejo Basin a number of high-risk exploration leads have been developed in the Lavagante, Santola and Gamba exploration licences from the interpretation of over 8,000 km of 2D seismic. Tullow is now seeking an additional partner to assist with the funding of a 3D seismic work programme in 2010 and a possible drilling campaign in 2010.

South Asia

Bangladesh
Gross production from the Bangora field averaged 100 mmscfd for the first half of 2009. In June 2009, the Bangora- 3 well was successfully recompleted and gross production from the field has been increased to 110 mmscfd. The next phase of development is scheduled to be completed later this year when additional processing is brought on line to enhance condensate recovery from the field. In addition, Tullow is awaiting formal notification from Petrobangla on the award of offshore Block SS-08-05.

Pakistan
Following the restructuring of Tullow's business in Pakistan, the Chachar Field has been sold and the sale process on Sara/Suri is on-going. Seismic acquisition is under way on the Kalchas Block and plans are being finalised to commence exploration drilling on the Kohat Block in September 2009.

South America

Guyana

Interpretation of the 1,889 sq km 3D seismic survey acquired on the Georgetown block early in 2009 is ongoing to mature prospects for drilling in 2010.

French Guiana

In French Guiana, Tullow has a 97.5% interest in the Guyane Maritime licence. A number of Jubilee-type leads have been identified and a 3D seismic survey is being planned for later in 2009. It is anticipated that agreement will be reached with other parties to farm-down a significant equity stake in advance of the commencement of the survey.

Suriname

A five well programme was completed on the Uitkijk licence in February 2009 and the licence term has been extended by six months to allow for evaluation of the results. A five well programme is scheduled to commence on the Coronie Block in early September 2009.

Finance review

Tullow's half-yearly results are in line with expectations and primarily reflect a 16% decrease in production to 59,265 boepd following the decision to focus 2009 capital investment on Ghana and Uganda, and lower average price realisations which decreased by over 25% in the period. Profit after tax declined 83% to £21.4 million (1H2007: £126.0 million) and earnings per share decreased 84% to 2.73 pence (1H2008: 17.23 pence).

Key financial metrics	1H 2009	1H 2008	Change
Production (boepd, working interest basis)	**59,265**	70,550	-16%
Sales volume (boepd)	**53,100**	60,000	-12%
Realised oil price per bbl (US$)	**53.0**	80.1	-34%
Realised gas price (pence per therm)	**42.4**	51.7	-18%
Cash operating costs per boe (£)[1]	**6.97**	5.61	+24%
Operating cash flow before working capital per boe (£)	**18.76**	23.00	-18%
Net debt[2] (£ million)	**429.8**	417.3	+3%
Interest cover[3]	**11.5**	15.2	Down 3.7 times
Gearing (%)[4]	**25**	71	-46%

1. Cash operating costs are cost of sales excluding depletion, depreciation and amortisation, impairment loss and under/over lift movements.
2. Net debt is financial liabilities gross of unamortised arrangement fees less cash and cash equivalents.
3. Interest cover is earnings before interest, impairment losses and depreciation charges divided by net finance costs.
4. Gearing is net debt net of unamortised arrangement fees divided by net assets.

Operating performance

Working interest production averaged 59,265 boepd, in line with expectations but 16% below the corresponding period in 2008 following the decision to focus 2009 capital investment on Ghana and Uganda. Sales volumes averaged 53,100 boepd, representing a decrease of 12%, driven by changes in the proportion of sales arising from production sharing regimes.

Commodity prices during the first half of 2009 were significantly below the first half of 2008 levels. Realised oil price was US$53.0/bbl (1H2008: US$80.1/bbl), a decrease of 34% and realised gas price was 42.4p/therm (1H2008: 51.7p/therm), a decrease of 18%. Tullow's oil production was sold at a discount of 2% to Brent during the period (1H2008: 3% discount).

Lower commodity prices and lower sales volumes were partially offset by weakening of Sterling against the US dollar which averaged approximately GBP£1: US$1.50 in the first half of 2009 compared to GBP£1:US$2.00 in the first half of 2008. Overall revenue decreased by 23% to £291.3 million (1H2008: £378.0 million).

2009 Half-yearly revenue by segment	Oil	Gas	Total	% of Total
	£ million	£ million	£ million	
Africa	188.4	-	188.4	65%
Europe	-	95.7	95.7	33%
South Asia	-	7.2	7.2	2%
Total	188.4	102.9	291.3	
% contribution to the Group	65%	35%		

Operating profit before exploration activities amounted to £74.7 million (1H2008: £224.9 million), a decrease of 67%, principally due to the significantly lower commodity prices realised during the period.

Underlying cash operating costs, which exclude depletion and amortisation and movements on under/overlift, amounted to £74.4 million (£6.97/boe) (1H2008: £5.61/boe). These costs were 24% above the first half of 2008 levels, 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.

Depreciation, depletion and amortisation charges for the period amounted to £112.3 million (£10.52/boe) (1H2008: £7.49/boe). The depreciation rate for the first half of 2009 was materially affected by the weakening of Sterling when compared to the same period in 2008 and additional M'Boundi depreciation (£7.0 million) in the period as the asset was classified as an asset held for sale in the first half of 2008 and consequently the asset was not being depreciated.

The Group has recognised an impairment charge of £11.5 million within cost of sales in relation to the Bure North infill well in the UK which encountered depleted gas sands during the period.

Administrative expenses of £19.8 million (1H2008: £15.5 million) include an amount of £5.3 million (1H2008: £3.2 million) associated with share-based payments under IFRS 2.

Exploration write-off

Exploration costs written-off were £14.0 million (1H2008: £23.6 million), in accordance with the Group's 'successful efforts' accounting policy. This write-off is principally due to new ventures activity and licence relinquishments.

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.

At 30 June 2009, the Group's derivative instruments had a net positive mark to market value of £14.0 million (1H2008: negative £434.6 million). The movement in the mark to market position during the first half of 2009 is principally as a result of oil price strengthening during the period.

While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a charge of £8.7 million (1H2008: credit of £7.2 million) has been recognised in the income statement for the first half of 2009. The charge has been principally caused by Brent oil prices strengthening during the period, with a consequent reduction in the time value of the Group's derivative instruments.

The Group's hedge position as at 20 August 2009 can be summarised as follows:

Hedge position	2H2009	2010	2011	2012
Oil*				
Volume – bopd	17,500	12,000	6,500	1,000
Current Price Hedge - US$/bbl	65.7	81.1	80.9	82.3
Gas Hedges				
Volume – mmscfd	50.1	19.0	3.7	-
Current Price Hedge - p/therm	48.0	47.8	58.4	-

*Oil hedges are impacted by an Energy Africa legacy position of 4,000 bopd at US$29.30 until end-2009.

Gearing, financing costs and interest cover

The net interest charge for the period was £17.2 million (1H2008: £21.2 million) and reflects the reduction in average net debt levels experienced during the first half of 2009, principally due to the equity placing which raised gross proceeds of £402 million in January 2009. At 30 June 2009, Tullow had net debt of £429.8 million (1H2008: £417.3 million), while unutilised debt capacity was in excess of US$750 million (£454 million) which includes US$600 million (£363 million) capacity in relation to the Jubilee development following the formal approval of the Jubilee Phase 1 development and related documents by the Government of Ghana. The Group's gearing is 25% (1H2008: 71%) and interest cover has decreased to 11.5 times (1H2008: 15.2 times).

Taxation
The tax charge of £13.4 million (1H2008: £61.2 million) relates to the Group's North Sea, Gabon, Equatorial Guinea and Mauritanian activities and represents 38% of the Group's profit before tax (1H2008: 33%). After adjusting for exploration costs and profit on disposal of subsidiaries, the Group's underlying effective tax rate is 29% (1H2008: 34%).

Dividend
Due to the ongoing requirement for major capital investment, particularly in Ghana and Uganda, the Board feels that it is appropriate to hold the interim dividend at the 2008 level. Consequently the Board has declared an interim dividend of 2.0 pence per share (1H2008: 2.0 pence per share). The dividend will be paid on 6 November 2009 to shareholders on the register on 2 October 2009.

Operating cash flow and capital expenditure
Significantly decreased commodity prices led to operating cash flows before working capital movements of £200.9 million (1H2008: £295.3 million). This cash flow, together with the equity placing proceeds, facilitated investment of £369 million in exploration and development activities, payment of a final dividend and servicing of the Group's debt facilities.

Total 2009 capital expenditure is now expected to be approximately £750 million and includes additional exploration and appraisal expenditure in Uganda and costs associated with the farm-in to Sierra Leone. Investment will be split 65% on production and development and the remainder on exploration and appraisal. Tullow's activities in Africa will comprise 90% of the anticipated capital outlay, with the principal expenditures being in Ghana and Uganda.

Portfolio management and long-term funding
During the first half of 2009 Tullow completed the sale of the Chachar field in Pakistan for US$7.5 million. In the second half of 2009, Tullow will continue to seek to augment underlying operating cash flow through ongoing portfolio management and the management of discretionary capital expenditure.

Tullow successfully placed 66,938,141 new ordinary shares with institutional investors at an undiscounted price of 600p per share on 21 January 2009. The placing shares represented an increase of approximately 9.1% of the Group's existing share capital. The gross proceeds from the placing, amounting to £402 million, were partially used to pay down debt with the remainder utilised for ongoing capital expenditure in the first half of 2009.

In March 2009 Tullow finalised arrangements for US$2 billion (£1.38 billion) of new debt, structured in the form of secured reserve-based lending facilities with a seven-year term. Tullow used the proceeds from the facilities to repay existing debt and will utilise the remaining facilities to finance the future capital requirements of the Group.

Risk factors
Effective risk management is critical to achieving the Group's strategic objectives and protecting its people and reputation. A comprehensive assessment of risks critical to strategic delivery was undertaken in 2008 with each Board member and senior managers from production, exploration and finance. One of the key outcomes was that responsibility for managing key risks has been assigned to individual Executive Directors and senior managers. The principal risks and uncertainties facing the Group at the year end, their potential impact and the mitigation strategies developed were detailed in the Annual Report and Accounts 2008 (available on our website www.tullowoil.com). All the risk and uncertainties which were identified at the year end have not changed and still remain appropriate for the second half of 2009. Key risks relating to the following were identified:

- Strategic risks – strategy fails to meet shareholder expectations, ineffective capital allocation and loss of key staff/succession planning;
- Financial risks – insufficient liquidity, inappropriate financing strategy, inadequate or excessive hedging, underperforming assets, cost and capital discipline and uninsured events;
- Operational risk – EHS, security incident, key development failure, ineffective management processes and increased scale of business, failure to secure equipment, services and resources, corruption or reputation risk, corporate and social responsibility and sustained exploration failure; and
- External risks – political and fiscal change, lack of control of key assets, corporate governance failings, oil and gas price volatility, hostile acquisition and industry cost inflation.

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 producing assets and delays to development projects. The Group 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. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capacity and flexibility of the Group. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group should be able to operate within its current debt facilities for the 12 months from the date of the 2009 half-yearly accounts. The Directors therefore consider that the Group has adequate resources to continue in operational existence for the foreseeable future.

Financial strategy and outlook

Our financial strategy continues to be to maintain flexibility to support the Group's significant appraisal and development programmes in Ghana and Uganda and effectively allocate capital across the remainder of our business. This financial flexibility has been materially enhanced during the first half of 2009 by a successful US$2 billion debt financing and an equity placing.

The outlook for the remainder of 2009 and the coming years is positive for Tullow. The Jubilee development is on track for first oil in the second half of 2010 and good progress is being made in Uganda towards development and production of the significant discovered resources. Over the next 12 months we plan to drill exploration and appraisal wells in Côte d'Ivoire, Ghana, Sierra Leone and Uganda which have the potential to add material resources to the Group. Overall, we are well placed to deliver growth in shareholder value over the coming years.

Responsibility statement

The Directors confirm that to the best of their knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors of Tullow Oil plc are as listed in the Group's 2008 Annual Report and Accounts. A list of the current Directors is maintained on the Tullow Oil plc website: www.tullowoil.com.

By order of the Board,

Aidan Heavey
Chief Executive Officer
25 August 2009

Ian Springett
Chief Financial Officer
25 August 2009

Disclaimer

This statement contains certain forward-looking statements that are subject to the usual 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 factors beyond the Group's control or within the Group's control where, for example, the Group decides on a change of plan or strategy. Accordingly no reliance may be placed on the figures contained in such forward-looking statements.

Independent review report to Tullow Oil plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and expense, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
25 August 2009
London, United Kingdom

Condensed consolidated income statement

Six Months ended 30 June 2009

	Note	**6 months ended 30.06.09 Unaudited £'000**	6 months ended 30.06.08 Unaudited £'000	Year ended 31.12.08 Audited £'000
Sales revenue	6	**291,251**	378,042	691,673
Cost of sales		**(199,663)**	(166,554)	(366,108)
Gross profit		**91,588**	211,488	325,565
Administrative expenses		**(19,823)**	(15,538)	(43,051)
Profit on disposal of subsidiaries	10	**2,632**	-	213,268
Profit on disposal of oil and gas assets	10	**266**	28,916	30,614
Exploration costs written off		**(13,992)**	(23,571)	(226,701)
Operating profit		**60,671**	201,295	299,695
(Loss)/gain on hedging instruments		**(8,678)**	7,174	42,927
Finance revenue		**848**	2,232	3,928
Finance costs		**(18,040)**	(23,405)	(47,238)
Profit from continuing activities before tax		**34,801**	187,296	299,312
Income tax expense	9	**(13,380)**	(61,282)	(73,069)
Profit for the period from continuing activities		**21,421**	126,014	226,243
Attributable to:				
Equity holders of the parent		**21,628**	124,017	223,211
Minority interest		**(207)**	1,997	3,032
		21,421	126,014	226,243
Earnings per ordinary share		**Stg p**	Stg p	Stg p
– Basic	3	**2.73**	17.23	30.86
– Diluted	3	**2.71**	16.98	30.49

Condensed consolidated statement of comprehensive income and expense

Six Months ended 30 June 2009

	6 months ended 30.06.09 Unaudited £'000	6 months ended 30.06.08 Unaudited £'000	Year ended 31.12.08 Audited £'000
Profit for the period	**21,421**	126,014	226,243
Cashflow hedges			
Gains/(losses) arising in the period	**(27,174)**	(323,082)	88,486
Reclassfication adjustments for (losses)/ gains included in profit	**(263)**	38,544	74,806
	(27,437)	(284,538)	163,292
Exchange differences on translation of foreign operations	**(180,249)**	(6,776)	222,266
Other comprehensive income	**(207,686)**	(291,314)	385,558
Tax relating to components of other comprehensive income	**(9,120)**	61,416	(2,326)
Other comprehensive income for the period	**(216,806)**	(229,898)	383,232
Total comprehensive income for the period	**(195,385)**	(103,884)	609,475
Attributable to:			
Equity holders of the parent	**(192,066)**	(105,870)	599,631
Minority interest	**(3,319)**	1,986	9,844
	(195,385)	(103,884)	609,475

Condensed consolidated balance sheet

As at 30 June 2009

	30.06.09 Unaudited £'000	30.06.08 (as restated*) Unaudited £'000	31.12.08 Audited £'000
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	**1,187,597**	1,028,599	1,417,777
Property, plant and equipment	**1,185,076**	852,673	986,374
Investments	**447**	447	447
Derivative financial instruments	**8,637**	-	29,280
	2,381,757	1,881,719	2,433,878
Current assets			
Inventories	**47,384**	27,001	37,850
Trade receivables	**61,850**	99,012	69,344
Other current assets	**182,416**	76,235	60,208
Cash and cash equivalents	**138,681**	146,467	311,020
Derivative financial instruments	**5,355**	-	19,989
Assets held for sale	**-**	28,720	-
	435,686	377,435	498,411
Total assets	**2,817,443**	2,259,154	2,932,289
LIABILITIES			
Current liabilities			
Trade and other payables	**(350,071)**	(210,635)	(330,215)
Other financial liabilities	**-**	(211,864)	(210,528)
Current tax liabilities	**(24,831)**	(65,731)	(105,282)
Derivative financial instruments	**-**	(277,407)	-
Liabilities directly associated with assets classified as held for sale	-	(40,239)	-
	(374,902)	(805,876)	(646,025)
Non-current liabilities			
Trade and other payables	**(4,020)**	(15,290)	(6,089)
Other financial liabilities	**(515,492)**	(340,093)	(489,041)
Deferred tax liabilities	**(311,982)**	(254,008)	(347,940)
Provisions	**(130,132)**	(101,659)	(134,019)
Derivative financial instruments	**-**	(157,242)	-
	(961,626)	(868,292)	(977,089)
Total liabilities	**(1,336,528)**	(1,674,168)	(1,623,114)
Net assets	**1,480,915**	584,986	1,309,175
EQUITY			
Called up share capital	**80,252**	72,477	73,288
Share premium	**549,120**	132,850	160,714
Other reserves	**374,385**	(15,387)	582,131
Retained earnings	**455,146**	377,573	467,711
Equity attributable to equity holders of the parent	**1,458,903**	567,513	1,283,844
Minority interest	**22,012**	17,473	25,331
Total equity	**1,480,915**	584,986	1,309,175

* The 30 June 2008 comparatives have been restated due to an asset held for sale being reclassified during 2008 (note 11).

Condensed consolidated statement of changes in equity

As at 30 June 2009

	Share Capital £'000	Share Premium £'000	Other Reserves (note 8) £'000	Retained Earnings £'000	Total £'000	Minority Interest £'000	Total Equity £'000
At 1 January 2008	71,961	128,465	210,089	286,668	697,183	15,487	712,670
Total comprehensive income and expense for the year	-	-	(229,887)	124,017	(105,870)	1,986	(103,884)
Purchase of treasury shares	-	-	(3,227)	-	(3,227)	-	(3,227)
New shares issued in respect of employee share options	516	4,385	-	-	4,901	-	4,901
Vesting of PSP shares	-	-	7,638	(7,638)	-	-	-
Share-based payment charge	-	-	-	3,216	3,216	-	3,216
Dividends paid	-	-	-	(28,690)	(28,690)	-	(28,690)
At 30 June 2008	72,477	132,850	(15,387)	377,573	567,513	17,473	584,986
Total comprehensive income and expense for the year	-	-	606,307	99,194	705,501	7,858	713,359
Purchase of treasury shares	-	-	(8,008)	-	(8,008)	-	(8,008)
New shares issued in respect of employee share options	176	1,455	-	-	1,631	-	1,631
New shares issued in respect of royalty obligation	635	26,409	-	-	27,044	-	27,044
Vesting of PSP shares	-	-	(781)	781	-	-	-
Share-based payment charge	-	-	-	4,646	4,646	-	4,646
Dividends paid	-	-	-	(14,483)	(14,483)	-	(14,483)
At 31 December 2008	73,288	160,714	582,131	467,711	1,283,844	25,331	1,309,175
Total comprehensive income and expense for the year	-	-	(213,694)	21,628	(192,066)	(3,319)	(195,385)
Purchase of treasury shares	-	-	(1,512)	-	(1,512)	-	(1,512)
New shares issued in respect of employee share options	270	3,578	-	-	3,848	-	3,848
New shares issued in respect of equity placing	6,694	384,828	-	-	391,522	-	391,522
Vesting of PSP shares	-	-	7,460	(7,460)	-	-	-
Share-based payment charge	-	-	-	5,331	5,331	-	5,331
Dividends paid	-	-	-	(32,064)	(32,064)	-	(32,064)
At 30 June 2009	**80,252**	**549,120**	**374,385**	**455,146**	**1,458,903**	**22,012**	**1,480,915**

Condensed consolidated cash flow statement

Six months ended 30 June 2009

	Note	**6 months ended 30.06.09 Unaudited £'000**	6 months ended 30.06.08 Unaudited £'000	Year ended 31.12.08 Audited £'000
Cash flows from operating activities				
Cash generated from operations	7	**106,500**	295,224	587,650
Income taxes paid		**(105,543)**	(34,042)	(76,853)
Net cash flow from operating activities		**957**	261,182	510,797
Cash flows from investing activities				
Acquisition of subsidiaries		**(33)**	-	-
Disposal of subsidiaries		**2,632**	-	207,834
Disposal of oil and gas assets		**4,847**	35,033	77,530
Purchase of intangible exploration & evaluation assets		**(293,313)**	(109,161)	(323,569)
Purchase of property, plant and equipment		**(75,748)**	(77,844)	(136,783)
Finance revenue		**848**	1,625	3,372
Net cash used in investing activities		**(360,767)**	(150,347)	(171,616)
Cash flows from financing activities				
Net proceeds from issue of share capital		**393,937**	1,983	8,089
Debt arrangement fees		**(50,393)**	(2,528)	(5,318)
Repayment of bank loans		**(209,821)**	(125,965)	(372,583)
Drawdown of bank loan		**128,417**	128,573	312,929
Finance costs		**(10,995)**	(20,908)	(40,441)
Dividends paid		**(32,064)**	(28,690)	(43,173)
Purchase of treasury shares		**(1,510)**	(3,227)	(11,235)
Net cash generated/(used in) by financing activities		**217,571**	(50,762)	(151,732)
Net (decrease)/increase in cash and cash equivalents		**(142,239)**	60,073	187,449
Cash and cash equivalents at beginning of period		**311,020**	82,224	82,224
Translation difference		**(30,100)**	4,170	41,347
Cash and cash equivalents at end of period		**138,681**	146,467	311,020

Notes to the half-yearly financial statements

Six Months ended 30 June 2009

1. General information

The financial information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. This information was derived from the statutory accounts for the year ended 31 December 2008, a copy of which has been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

2. Accounting policies

The annual financial statements of Tullow Oil plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Services Authority.

Basis of preparation

The condensed set of financial statements included in this half-yearly financial report have been prepared on a going concern basis as the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future as explained in the Finance Review.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the group's latest audited annual statements, except for the adoption of new and revised standards as follows:

IFRS 8 Operating Segments – 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 operating decision maker to allocate resources to the segments and assess their performance. The adoption of IFRS 8 has not resulted in a change to the Group's reportable segments.

IAS 1 (Revised) Presentation of Financial Statements – IAS 1 (Revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

3. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of £21.6 million (1H2008: £124.0 million) and a weighted average number of shares in issue of 791.4 million (1H2008: 719.7 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 7.5 million (1H2008: 10.5 million) in respect of employee share options, resulting in a diluted weighted average number of shares of 798.8 million (1H2008: 730.2 million).

4. Dividends

The Company's shareholders approved a final dividend for the year ended 31 December 2008 of 4.0p per share at the Annual General Meeting on 12 May 2009. This amount was paid on 21 May 2009 to shareholders on the register of members of the Company on 17 April 2009.

The Board has declared an interim 2009 dividend of 2.0p per share in the half year to 30 June 2009 to be paid on 6 November 2009 to shareholders on the register on 2 October 2009 (1H2008: 2.0p per share)

5. Approval of Accounts

These half-yearly financial statements (Unaudited) were approved by the Board of Directors on 25 August 2009.

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 reportable segments in accordance with IFRS 8 are the four geographical markets that the Group operates within 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 six months ended 30 June 2009 and 2008 and for the year ended 31 December 2009.

Six months ended 30 June 2009	**Africa £'000**	**Europe £'000**	**South Asia £'000**	**South America £'000**	**Unallocated £'000**	**Total £'000**
Sales revenue by origin	188,380	95,721	7,150	-	-	**291,251**
Segment result	54,916	22,740	1,431	(1,491)	-	**77,596**
Profit on disposal of subsidiaries						**2,632**
Profit on disposal of oil and gas assets						**266**
Unallocated corporate expenses						**(19,823)**
Operating profit						**60,671**
Loss on hedging instruments						**(8,678)**
Finance revenue						**848**
Finance costs						**(18,040)**
Profit before tax						**34,801**
Income tax expense						**(13,380)**
Profit after tax						**21,421**
Total assets	2,173,611	484,009	50,003	91,388	18,432	**2,817,443**
Total liabilities	(580,687)	(199,618)	(16,843)	(26,008)	(513,372)	**(1,336,528)**
Other segment information						
Capital expenditure:						
Property, plant and equipment	42,064	31,528	2,371	-	412	**76,375**
Intangible fixed assets	291,090	13,268	1,109	2,652	763	**308,882**
Depletion, depreciation and amortisation	(70,753)	(36,391)	(3,010)	-	(2,121)	**(112,275)**
Impairment losses recognised in income	-	(11,512)	-	-	-	**(11,512)**
Exploration costs written off	(9,402)	(2,373)	(1,528)	(689)	-	**(13,992)**

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

6. Segmental reporting (continued)

Six months ended 30 June 2008	Africa £'000	Europe £'000	South Asia £'000	South America £'000	Unallocated £'000	Total £'000
Sales revenue by origin	261,197	111,469	5,376	-	-	**378,042**
Segment result	164,750	23,796	(622)	(7)	-	**187,917**
Profit on disposal of subsidiaries						**28,916**
Unallocated corporate expenses						**(15,538)**
Operating profit						**201,295**
Gain on hedging instruments						**7,174**
Finance revenue						**2,232**
Finance costs						**(23,405)**
Profit before tax						**187,296**
Income tax expense						**(61,282)**
Profit after tax						**126,014**
Total assets	1,547,107	520,077	66,634	104,418	20,918	**2,259,154**
Total liabilities	(816,979)	(260,302)	(10,623)	(41,571)	(544,693)	**(1,674,168)**
Other segment information						
Capital expenditure:						
Property, plant and equipment	38,553	15,344	798	-	2,634	**57,329**
Intangible fixed assets	101,588	11,942	3,213	748	-	**117,491**
Depletion, depreciation and amortisation	(44,841)	(47,134)	(2,391)	-	(1,802)	**(96,168)**
Exploration costs written off	(7,692)	(13,513)	(2,366)	-	-	**(23,571)**

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

6. Segmental reporting (continued)

Year ended 31 December 2008	Africa £'000	Europe £'000	South Asia £'000	South America £'000	Unallocated £'000	Total £'000
Sales revenue by origin	475,672	204,602	11,399	-	-	**691,673**
Segment result	137,387	50,615	(31,854)	(40,474)	-	**115,674**
Profit on disposal of subsidiaries						**213,268**
Profit on disposal 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	2,229,704	495,163	65,290	100,624	41,508	**2,932,289**
Total liabilities	(651,311)	(213,050)	(19,494)	(31,783)	(707,476)	**(1,623,114)**
Other segment information						
Capital expenditure:						
Property, plant and equipment	103,710	39,990	4,408	-	7,036	**155,144**
Intangible fixed assets	293,618	34,445	11,589	12,131	-	**351,783**
Depletion, depreciation and amortisation	(110,647)	(81,978)	(5,749)	-	(3,933)	**(202,307)**
Impairment losses recognised in income	(18,220)	-	(8,085)	-	-	**(26,305)**
Exploration costs written off	(146,916)	(12,582)	(26,729)	(40,474)	-	**(226,701)**

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

7. Cash Flows from Operating Activities

	6 months ended 30.06.09 Unaudited £'000	6 months ended 30.06.08 Unaudited £'000	Year ended 31.12.08 Audited £'000
Profit before taxation	**34,801**	187,296	299,312
Adjustments for:			
Depletion, depreciation and amortisation	**112,275**	96,168	202,307
Impairment loss	**11,512**	-	26,305
Exploration costs written off	**13,992**	23,571	226,701
Profit on disposal of subsidiaries	**(2,632)**	-	(213,268)
Profit on disposal of oil and gas assets	**(266)**	(28,916)	(30,614)
Decommissioning expenditure	**-**	-	(194)
Share based payment charge	**5,331**	3,216	7,862
Loss/(gain) on hedging instruments	**8,678**	(7,174)	(42,927)
Finance revenue	**(848)**	(2,232)	(3,928)
Finance costs	**18,040**	23,405	47,238
Operating cash flow before working capital movements	**200,883**	295,334	518,794
(Increase)/decrease in trade and other receivables	**(137,247)**	(53,524)	18,548
Increase in inventories	**(14,095)**	(3,053)	(12,952)
Increase in trade payables	**56,959**	56,467	63,260
Cash generated from operations	**106,500**	295,224	587,650

8. Other reserves

	Merger reserve £'000	**Foreign currency translation reserve £'000**	**Hedge reserve £'000**	**Treasury shares £'000**	**Total £'000**
At 1 January 2008	408,074	(58,293)	(131,993)	(7,699)	210,089
Hedge movement	-	-	(223,111)	-	(223,111)
Currency translation adjustment	-	(6,776)	-	-	(6,776)
Vesting of PSP shares	-	-	-	7,638	7,638
Purchase of treasury shares	-	-	-	(3,227)	(3,227)
At 30 June 2008	408,074	(65,069)	(355,104)	(3,288)	(15,387)
Hedge movement	-	-	384,077	-	384,077
Currency translation adjustment	-	222,230	-	-	222,230
Vesting of PSP shares	-	-	-	(781)	(781)
Purchase of treasury shares	-	-	-	(8,008)	(8,008)
At 31 December 2008	408,074	157,161	28,973	(12,077)	582,131
Hedge movement	-	-	(36,557)	-	(36,557)
Currency translation adjustment	-	(177,137)	-	-	(177,137)
Vesting of PSP shares	-	-	-	7,460	7,460
Purchase of treasury shares	-	-	-	(1,512)	(1,512)
At 30 June 2009	**408,074**	**(19,976)**	**(7,584)**	**(6,129)**	**374,385**

9. Taxation

Income tax for the six month period is accrued based on the estimated annual effective rate of 38% (1H2008: 33%).

10. Disposal of subsidiaries and oil and gas assets

(i) Disposal of subsidiary

Tullow completed the sale of Tullow Oil UK Limited incorporating the 51.68% interest in the Hewett-Bacton complex to ENI in November 2008, with final payments received in July 2009. The gain on disposal of subsidiary in the year ended 31 December 2008 was £213.3 million and consideration received amounted to £207.8 million. Further sums were received in 2009 amounting to £2.6 million, which realised a gain of £2.6 million.

(ii) 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 assets in the UK respectively. The disposals were completed in June 2008. The gain on disposal of oil and gas assets amounted to £30.6 million and total consideration amounted to £77.5 million.

During the first half of 2009 the Group completed the sale of its interest in the Chachar field in Pakistan for a consideration of $7.5 million (£4.8 million), with no gain or loss arising on the disposal.

11. Assets held for sale

On 31 January 2008 and 5 November 2007, the Group entered into sale agreements to dispose of Tullow Congo Ltd and its 40% interest in the Ngosso permit in Cameroon respectively. The latter was successfully completed in July 2008.

However, the proposed divestment of Tullow Congo Ltd was not concluded as government approvals for the transfer of the assets were not received within a reasonable timeframe. The 30 June 2008 and 31 December 2008 balance sheets have consequently been restated as the asset is no longer classified as an asset held for sale. In addition, in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations, the carrying value of the asset as at 31 December 2008 has been adjusted for any depletion or amortisation that would have been recognised had the asset not been originally classified as held for sale. The impact of the restatement on 30 June 2008 and 31 December net assets is £nil and the impact on the income statement is £nil.

12. Capital structure

In the six months ended 30 June 2009, the Group issued 2.7 million (30 June 2008: 5.2 million) new shares in respect of employee share options and issued 66.9 million new shares in respect of an equity placing with institutional investors in January 2009.

As at 30 June 2009 the Group had in issue 802.5 million allotted and fully paid ordinary shares of Stg10 pence each (30 June 2008: 724.8 million).

In March 2009 Tullow finalised arrangements for US$2 billion (£1.38 billion) of new debt, structured in the form of reserve-based lending facilities with a seven-year term. 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%.

13. Commercial Reserves and Contingent Resources Summary (Not reviewed by Auditors) 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	7.8	-	(0.4)	(26.2)	-	-	7.4	(26.2)	3.0
Disposals	-	-	-	-	-	(20.3)	-	(20.3)	(3.4)
Production	(6.9)	(0.5)	(0.1)	(16.0)	-	(5.8)	(7.0)	(22.3)	(10.7)
30 June 2009	257.4	11.8	1.3	149.2	-	104.8	258.7	265.8	303.0
Contingent Resources									
1 Jan 2009	301.6	1,110.5	-	131.8	-	16.2	301.6	1,258.5	511.4
Revisions	(4.7)	(0.2)	-	(16.9)	-	-	(4.7)	(17.1)	(7.6)
30 June 2009	296.9	1,110.3	-	114.9	-	16.2	296.9	1,241.4	503.8
Total									
30 June 2009	554.3	1,122.1	1.3	264.1	-	121.0	555.6	1,507.2	806.8

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.
3. In Ghana, the Mahogany-3 and Tweneboa-1 discoveries have not been reviewed by the independent engineer and consequently the benefit of these exploration and appraisal activities has not been incorporated in the above table.
4. In Uganda, the Karuka-2, Nsoga-1, Kigogole-3, Wahrindi-1, Ngara-1 and Ngassa-2 discoveries have not been reviewed by the independent engineer and consequently the benefit of these exploration activities has not been incorporated in the above table.

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 234.4 mmboe at 30 June 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 licences across 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 BST - 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 26 August until 2 September. The telephone numbers and access codes are:

Live event		**Replay facility available from Noon**	
UK Participants	020 7806 1953	UK Participants	020 7806 1970
Irish Participants	01 486 0922	Irish Participants	01 659 8321
Access Code	4416923	Access Code	4416923#

To join the live webcast, or play the on-demand version which will be available immediately after the event has finished, you will need to have either Real Player or Windows Media Player installed on your computer.

11.00 BST – 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
Access Code	Tullow Oil	USA Toll Free	+1 866 966 5335

15:00 BST - 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. The telephone numbers and access codes are:

Live Event	
Domestic Toll Free	+1 888 935 4577
Toll	+1 718 354 1388
Access Code	8548292

For further information contact:

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