

TULLOW OIL PLC

2014

HALF-YEARLY RESULTS

30 July 2014



Tullow Oil plc – 2014 Half-Yearly Results

Strong revenues and cashflow; results in line with market expectations

Balance sheet strengthened through bond issue and re-financing

Exploration successes in Kenya, Gabon and Norway

Major developments in West and East Africa progressing well

30 July 2014 – 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 2014. Details of a presentation in London, webcast and conference calls are available on page 25 of this report or visit the Group's website www.tullowoil.com

2014 HALF-YEARLY RESULTS HIGHLIGHTS

- Revenues and gross profit for the period in line with expectations; exploration write-offs and a loss relating to the Uganda farm-down result in a loss after tax; interim dividend remains unchanged at 4p
- Balance sheet well funded following second \$650 million bond offer and \$750 million re-financing of corporate revolving credit facility; net debt and unutilised debt capacity at period end of \$2.8 billion and \$2.3 billion respectively
- West African oil production averaged 63,900 boepd in the first half; strong underlying performance from core assets offset by non-booking of c.3,000 boepd due to ongoing licence negotiations in Gabon. Full year guidance for the region remains 64-68,000 boepd. In Ghana, the Jubilee field is on target to average full year gross production of 100,000 bopd
- European gas production averaged 14,500 boepd in the first half, below expectations due to underperformance at Schooner-11. Full year guidance for the region revised to 13-14,000 boepd. Sale agreed for Schooner and Ketch in the UK Southern North Sea to Faroe Petroleum (U.K.) Limited for a total consideration of \$75.6 million
- Good progress in major West and East Africa developments; TEN project in Ghana 30% complete, on budget and on track for First Oil in mid-2016; important MoU signed with Government of Uganda; Government of Kenya and the Partners are aligned in their ambition to reach project FID for development by the end of 2015/early 2016
- Exploration in Kenya continues with wildcat successes at Amosing-1 and Ewoi-1 supporting the Pmean discovered resource estimate of 600 mmbb; E&A campaign continues in the second half and into 2015 with basin and play testing campaigns in Kenya, Norway, Suriname and Gabon

FINANCIAL OVERVIEW

	1H 2014	1H 2013	Change
Sales revenue (\$m)	1,265	1,347	-6%
Gross profit (\$m)	673	764	-12%
Administrative expenses (\$m)	(120)	(89)	35%
Loss on disposal (\$m)	(115)	-	-
Exploration costs written off (\$m)	(402)	(176)	128%
Operating profit (\$m)	36	500	-93%
(Loss)/profit before tax (\$m)	(29)	486	-106%
(Loss)/profit after tax (\$m)	(95)	313	-130%
Interim dividend per share (pence)	4.0	4.0	-
Operating cash flow before working capital (\$m)	905	1,016	-11%
Production (boepd, working interest basis)	78,400	88,600*	-12%

* 1H 2013 production includes 3,900 boepd from Bangladesh which was subsequently sold in December 2013.

COMMENTING TODAY, AIDAN HEAVEY, CHIEF EXECUTIVE, SAID:

"In the first half of 2014, Tullow made further important discoveries in Kenya and Norway and we have a concentrated exploration campaign planned for the next 18 months. We have also made good progress with the TEN project in Ghana, with our discussions with host governments on our developments in East Africa and with our financing. With strong revenues and cash-flow from our existing production and a well funded and diverse balance sheet, Tullow is well placed for the remainder of this year and into 2015."

Operations review

WEST AND NORTH AFRICA

1H 2014 production 63,900 boepd	Total reserves and resources 655 mmboe	1H 2014 sales revenue \$1,099 million	1H 2014 investment \$637 million
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Ghana

Jubilee

Jubilee field gross production averaged approximately 103,000 bopd for the first half of 2014 in line with expectations. The Group remains confident of achieving its full year average Jubilee field gross production target of 100,000 bopd.

The onshore gas processing facilities, which will allow for the offtake of Jubilee associated gas, are expected to be completed in the fourth quarter of 2014. A bypass line is also being pursued to route a limited quantity of offshore gas directly to the power plant when the gas processing plant is under maintenance or not available for operation. In addition, approval was granted by the Ghana Environmental Protection Agency to permit the flaring of 500 mmscf of gas per month from the field until the end of October 2014. This limited flaring will help maintain current production rates while we await start-up of the main gas processing facility which will then allow a ramp up of production from the Jubilee field towards the facility capacity of 120,000 bopd.

TEN

The TEN Project is on target and on budget to deliver first oil in mid-2016. This will be followed by a steady ramp up towards the FPSO capacity of 80,000 bopd by 2017. The development includes the drilling and completion of up to 24 development wells which will be connected through subsea infrastructure to an FPSO vessel. Development drilling commenced in 2014 and to date eight of the ten wells expected to be on stream at start-up have now been drilled. The overall cost of the development remains at around \$4.9 billion, excluding FPSO lease costs. The process to partially farm-down Tullow's interest in the project is on-going.

The project is progressing well with 30% now complete, all major contracts awarded, Tullow delivery teams in place and all work permits ready for installation works to begin in 2015. The conversion of the Centennial Jewel trading tanker into the TEN FPSO continues on schedule at the Jurong Shipyard in Singapore.

Mauritania

In Mauritania, Tullow commenced its first exploration drilling campaign in August 2013 targeting new, deeper plays in the offshore Mauritanian basin. The first well, *Frégate-1*, in Block 7 encountered up to 30 metres of net gas-condensate and oil pay in multiple sands. This was then followed by *Tapendar-1* which was plugged and abandoned as a dry hole. Before the next phase of drilling commences, data from the *Frégate-1* and *Tapendar-1* wells will be analysed and integrated into the seismic data previously acquired across Tullow's Mauritanian acreage. Seismic acquisition in Blocks C-3 and C-18 continued in the first half of the year. The southern Block 1 and Block C-2 licences have been relinquished in order to focus on the diverse oil plays in our central, northern and shallower acreage.

Progress has continued on the Banda gas to power development following approval of the Field Development Plan by the Government of Mauritania in 2013. The Engineering, Procurement and Construction bids have been received and pre-award negotiations are in progress with contractors. Commercial discussions on the Gas Sales Agreement and associated Power Purchase Agreements are ongoing and are critical to the final sanction of this project.

Net production from the Chinguetti field averaged just over 1,200 boepd in 1H 2014, in line with expectations.

Gabon

Net production averaged 10,600 boepd in 1H 2014, as a result of underperformance at the Tchatamba and Limande fields (c.2,000 boepd below expectation) and certain non-operated production not being booked due to ongoing licence renegotiations (c.3,000 boepd unbooked production). Production from the assets which has not been recorded in the 1H 2014 production figures is expected to be recorded retrospectively in the second half of the year once licence renegotiations have been completed.

Tullow continued its exploration programme in Gabon and in July 2014 discovered a new oil accumulation with the Igongo-1 well. The well encountered 90 metres of net oil and gas pay and options to bring the discovery quickly on-stream, through existing infrastructure, are being worked on with the operator. Whilst the current expectation of discovered resource volumes is modest, additional appraisal success could enhance the value this discovery has already added to our West African portfolio. Drilling is expected to commence imminently at the offshore pre-salt Sputnik-1 exploration well.

Equatorial Guinea

The Ceiba field performed strongly in 1H 2014, averaging 3,500 bopd net to Tullow. Recent infill wells have given excellent results, with initial gross flow rates of 20,000 bopd. A 4D seismic survey to optimise infill drilling is planned for late 2014/early 2015.

Net production from the Okume Complex has averaged 6,200 bopd for 1H 2014. A major 10-well infill drilling programme is under way and is expected to continue until mid-2016.

Côte d'Ivoire

Net production from Côte d'Ivoire was above expectations, averaging 3,100 boepd in 1H 2014. An 11-well infill drilling campaign in the East and West Espoir fields is planned to commence in the second half of 2014. This campaign will have a positive impact on field production in the latter part of 2014 and in future years.

Congo (Brazzaville)

M'Boundi field production was stable throughout 1H 2014, averaging 2,600 boepd net. Three rigs are now operating in the area to optimise performance and up to 16 wells will be drilled per year as part of the field redevelopment strategy.

Guinea

Tullow declared Force Majeure on its offshore exploration block in Guinea in March 2014 following a U.S. regulatory investigation of its project partner Hyperdynamics Corp. Force Majeure was lifted in May 2014 and discussions to resolve this issue are ongoing. Tullow currently anticipates that the Fatala-1 well will commence drilling later in 2014 or the first half of 2015, depending on the outcome of these discussions.

Liberia and Sierra Leone

After evaluating potential options in Liberia and Sierra Leone, Tullow made the decision not to renew its licence interests and will exit its position. Tullow's interest in LB-15 in Liberia expired in June 2014 and its interest in SL-07B-11 in Sierra Leone will expire in August 2014, following which Tullow will have no licence interests in either country

SOUTH AND EAST AFRICA

1H 2014 production NIL	Total reserves and resources 580 mmboc	1H 2014 sales revenue NIL	1H 2014 investment \$310 million
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Kenya

The Group has continued to make good progress with its exploration and appraisal (E&A) campaign in Northern Kenya with discoveries on nine out of 11 wells in the South Lokichar Basin. As a result Tullow has estimated Pmean gross discovered resources in this one Northern Kenya basin to be over 600 mmboc, with currently identified potential to increase that to one billion barrels of oil. Confirmation of this significant resource potential will be achieved through success in the ongoing and future E&A programme.

The South Lokichar basin is one of several basins and sub-basins in Tullow's onshore Kenya acreage, and three new sub-basins will be tested in the second half of 2014: Kodos-1 will test the Central Kerio Basin; Epir-1 will test the North Kerio Basin; and Engomo-1 will test the North Turkana Basin. Five further sub-basins will be tested by the end of 2015.

Exploration activity in 2014 started with the successful Amosing-1 and Ewoi-1 wells. The Amosing-1 well encountered between 160 and 200 metres of net oil pay and the Ewoi-1 encountered between 20-80 metres of net oil pay. The Emong-1 well was then drilled in March 2014, to test a structure directly across the main basin bounding fault, west of the Ngamia-1 well, in Block 13T. Within the range of expectations, the well encountered tight oil sands, confirming that the most productive oil reservoirs are east of the basin-bounding fault, where all of the main producible oil accumulations have been discovered to date.

In May 2014, the Twiga-2 appraisal well in Block 13T encountered 62 metres of net oil pay in the Auwerwer formation, similar in quality to the initial Twiga-1 discovery. Also in May 2014, the Ekunyuk-1 well on the eastern flank encountered 5 metres of net oil and found 150 metres of good quality sands, although there was a lack of trap at that level in the well. The quality of the sands indicates that there is further exploration potential in the area; however the Group's priority will be to continue testing the remaining prospects along the basin bounding fault on the west of the basin.

In June 2014 the Ngamia-2 appraisal well encountered up to 39 metres of net oil pay and 11 metres of net gas pay and appeared to have identified a new fault trap, north of the main Ngamia accumulation. Four additional appraisal wells are planned in the Ngamia field area, including the Ngamia-3 well that is currently being drilled. Also in June 2014, the Agete-2 exploratory appraisal well was drilled some 2.2km south east of Agete-1. The well intersected water bearing reservoirs at

this down-dip location and further appraisal drilling is planned. Exploration drilling in the South Lokichar Basin will continue in the third quarter of 2014 with the Etom-1 exploration wildcat well in the north of the Basin.

The SMP-5 rig has continued to be used for testing operations and a number of drill stem tests have been conducted to test earlier discoveries. In March 2014, the Ekales-1 oil discovery well successfully flowed over 1,000 barrels of oil per day and in June 2014 the Agete-1 well flowed at 500 barrels of oil per day. Testing at Ewoi-1 is currently under way and the Sakson PR-5 rig is drilling the Amosing-2 down-dip appraisal well, with a planned sidetrack.

Tullow continues to make good progress with its future developments in Kenya. A 3D seismic programme is ongoing over the basin bounding fault play in the west of the South Lokichar basin to gain detailed mapping of the fault trends, better understand the resource potential and progress to the development strategy. The Government of Kenya and the Partners are aligned in their ambition to reach project FID for development by the end of 2015/early 2016.

The governments of Kenya, Uganda and Rwanda have signed a Memorandum of Understanding (MoU) and formed a Steering Committee to progress a regional crude oil export pipeline from Uganda through Kenya. The Kenya upstream partners have also signed a cooperation agreement with the Uganda upstream partners in support of the same objective.

Ethiopia

Tullow continued its frontier exploration in Ethiopia in the first half of 2014 and tested the second of several independent basins in the Group's acreage. The Shimela prospect was drilled in May 2014 to test a prospect in a north-western sub-basin of the vast Chew Bahir basin, but the well encountered water bearing reservoirs and volcanics.

The Gardim-1 wildcat exploration well was then drilled in a separate sub-basin, in the south-eastern corner of the Chew Bahir Basin and intersected lacustrine and volcanic formations, similar to those found in the Shimela-1 well but did not encounter commercial oil. Drilling operations will now be demobilised whilst these results are integrated into the regional basin model.

Seismic interpretation continues on independent prospectivity in other sub-basins elsewhere in the licence and the next phase of our Ethiopia exploration campaign will target these prospects.

Uganda

A Memorandum of Understanding (MoU) was signed in February 2014 by the partners and the Government of Uganda is providing a framework to achieve a unified commercialisation plan for the development of the upstream, an export pipeline and a modular refinery initially sized for 30,000 bopd. The government is leading a process which has identified lead investors for the Refinery and bids are expected by the end of August 2014.

The upstream operators' comprehensive pre-FEED study for the export pipeline has substantially progressed and planning work for the route, environmental screening and conceptual design studies are in progress. The operators are working closely with the governments in the region to deliver a timely and cost effective export solution.

Production Licence Applications (PLAs), including Field Development Plans (FDPs) have been submitted for all the EA2 fields and Tullow is working with the Government through the approval process. In EA1, Total is waiting on approval of the Ngiri field application and submitted the Jobi-Rii FDP and PLA at the end of June 2014. Remaining EA1 FDPs and PLAs will be submitted by the end of 2014.

Development planning work continued in the first half of 2014 including the optimisation of well designs, the number of wells to be drilled and the design of the surface infrastructure. All exploration drilling activity in the area has now been completed and rigs demobilized. The operators of EA1 and EA2 are consolidating their operations and maintenance efforts during this period.

In June 2013, Tullow succeeded in the High Court in London with its indemnity claims against Heritage with regard to Capital Gains Tax (CGT) payments that Tullow had made on Heritage's behalf to the Uganda Revenue Authority. In August 2013, Tullow received \$345.8 million from Heritage in satisfaction of this High Court judgment. In September 2013, Heritage was granted permission by the Court of Appeal to appeal certain aspects of the High Court judgment and the appeal was heard in May 2014. In its judgment, the Court of Appeal ruled in Tullow's favour on all but one of the points appealed by Heritage. In all other respects the Court of Appeal upheld the High Court's judgment.

Separately, Tullow received a ruling from the Tax Appeals Tribunal (TAT) in Kampala on 16 July 2014. Following the completion of the farm-down of 66.666% of its Ugandan assets to CNOOC and Total in 2012, Tullow was issued with a CGT assessment of approximately \$473m by the Uganda Revenue Authority (URA). Tullow paid 30% of the assessment (approximately \$142m) as legally required in order to launch an appeal. The TAT ruled that the Production Sharing Agreement for Exploration Area 2 (EA2 PSA) contained an exemption for CGT, however, the Minister did not have the legal authority to grant such an exemption and therefore it was unenforceable under Ugandan law. Consequently, the TAT has assessed Tullow's CGT liability to be \$407 million of which Tullow has already paid \$142 million. The URA has served Tullow with a Demand Notice to pay the net \$265 million as assessed by the TAT. Tullow believes that the TAT has erred in

law on a number of accounts and will challenge the assessment through the Ugandan courts and international arbitration but hopes that further direct negotiation with the Government can resolve this matter.

In 2014, the likely date of receipt of contingent consideration due from CNOOC and Total has been reassessed resulting in a reduction of the amount receivable triggering a 2014 income statement charge of \$77.8 million which has been classified as a loss on disposal. During 2014, the Group made a payment of \$36.6 million in respect of certain indemnities granted on farm-down of Tullow's interest in Uganda. This payment has also been charged to the income statement as a loss on disposal.

Namibia

The Kudu gas project continues to progress, Gas Sales Agreement negotiations are well advanced and the Namibian national oil company is progressing the farm-out of a significant share of its upstream equity.

Following last year's farm in to the exploration licence PEL 0037, acquisition of 3,000 sq km 3D seismic and an additional 1,000 km of 2D seismic has been completed. The processing of this data is expected to be completed shortly, with several prospects and leads already identified on the fast track seismic dataset.

In July 2014, Tullow signed an agreement, subject to government approval, with Eco Atlantic to farm-in to offshore Block 2012A in the PEL 0030 exploration licence, directly north of PEL 0037. Tullow has farmed in at 25% during the seismic phase, increasing to 40% with operatorship, if a prospect is selected to drill. A 1,000 sq km 3D seismic survey of the block is due to commence in the fourth quarter of 2014.

Madagascar

In Madagascar, a farm-out of Tullow's 100% owned Mandabe (Block 3109) and Berenty (Block 3111) licences has concluded with OMV taking a 35% stake across the onshore licences. This deal is conditional on OMNIS, the state licensing authority, obtaining the required Presidential Decree on behalf of the partnership. A seismic programme in the Mandabe licence (Block 3109) will commence later this year or early 2015, after the rainy season, and a well in the Berenty licence (Block 3111) is currently planned for 2015.

Mozambique

Following further technical analysis, Tullow and the partnership decided not to drill a further prospect in the Block 2 & 5 acreage. The licence expired in June 2014 and Tullow has now exited the position.

EUROPE, SOUTH AMERICA & ASIA

1H 2014 production 14,500 boepd	Total reserves and resources 160 mmboe	1H 2014 sales revenue \$165 million	1H 2014 investment \$101 million
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Norway

Following the discovery of the Wisting Central field in Norway during 2013, Tullow continued to test the potential of the Hoop-Maud Basin in the first half of 2014 with the drilling of the Hanssen exploration well. The well encountered 20-25 metres of oil bearing sandstone with good reservoir properties and provides further confidence of proving up a major new commercial oil resource in the Wisting Cluster of prospects.

The Tullow operated Gotama-1 exploration well reached total depth in May 2014 and was plugged and abandoned as a dry hole. The non-operated Butch SW appraisal well was drilled in July 2014 but no hydrocarbons were found. Despite this result, there are sufficient resources in the Butch Main discovery to warrant a commercial development solution as a subsea tieback and the Operator is undertaking pre-feed studies.

In July 2014, Tullow drilled the Lupus exploration well, the first exploration well in production licence PL 507. The well found good quality sandstones in the Paleocene Hermod Formation, but no hydrocarbons were encountered. The well has been plugged and abandoned and the data gained will be used to calibrate geological and geophysical uncertainties and reduce risks in future exploration wells.

Tullow has signed an agreement to sell its interest in the Brage field in Norway to Wintershall for a cash consideration of 45million NOK (\$7.5m), effective from 1 January 2014. Tullow's 2.5 % interest in the Brage Field was acquired as part of the acquisition of Spring Energy, however the small production interest is no longer considered part of Tullow's core portfolio. The sale is expected to complete in the fourth quarter of 2014. Production from the Brage field in Norway was in line with expectations, averaging 300 boepd for 1H 2014.

UK and Netherlands

Half year production from Tullow's Southern North Sea assets has been below expectations averaging 9,000 boepd in the UK and 5,300 boepd in the Netherlands. This has been predominantly due to operational issues in the UK on the Schooner-11 well where remedial work continues.

As previously announced, Tullow signed an agreement to sell a 53.1% interest in the Schooner Unit and a 60% interest in the Ketch field in the UK Southern North Sea to Faroe Petroleum (U.K.) Limited in April 2014. The purchase has an effective date of 1 January 2014 and is expected to complete by the end of the year when operatorship of Schooner and Ketch will also transfer to Faroe. Tullow is making good progress with selling the remainder of its UK and Dutch North Sea assets.

Greenland

Tullow has a 40% non-operated interest in Block 9 (Tooq licence) and 3D seismic has identified a material oil prospect in the region. Tullow and its joint venture partners have worked on a technical and non-technical work programme in order to decide whether to drill an exploration well and this decision will be made only if Tullow is satisfied that all necessary technical, financial, environmental, safety and social standards and criteria have been reached.

South America

In South America, Tullow has exploration interests in Suriname, Guyana, Uruguay and French Guiana. In Suriname, planning is ongoing to drill the Tullow operated offshore Goliathberg/Voltzberg South exploration well in Block 47. Options to farm-down equity in this well are being considered to reduce Tullow's overall exposure. Spari, a non-operated prospect in Block 31, has also been identified for drilling in the second half of 2015.

In Guyana, processing of the 3,175 sq km 3D and 857 km 2D seismic data acquired in late 2013 is ongoing. Geological studies and interpretation of intermediate seismic volumes are under way to update the prospect portfolio for the Kanuku Block, ahead of the late 2015 decision on whether to enter the next period which includes an exploration well.

Processing of the 2,000 sq km 3D seismic data acquired in Uruguay in 2013 is now complete, with final data delivered to Tullow in July 2014. Seismic interpretation and geological studies are under way to update the prospect portfolio for Block 15, ahead of the late 2015 decision on whether to enter the next period which includes an exploration well.

The French Guiana drilling programme was completed in 2013 and Tullow is currently incorporating the results from the 2013 wells into our geological model so we can better understand the considerable remaining prospectivity and determine the future licence work programme.

Pakistan

As part of planned divestments, Tullow signed a sale and purchase agreement for its Pakistan assets to Ocean Pakistan Ltd in October 2013 and is awaiting Government consent to complete the sale which is expected before the end of the year.

Finance review

2014 HALF-YEARLY RESULTS OVERVIEW

Tullow delivered strong revenue, gross profit and cash flow in line with expectations in the first half of 2014. Sales revenue decreased 6% to \$1.26 billion (1H 2013: \$1.35 billion) principally as a result of a 7% decrease in sales volumes primarily relating to the 2013 disposal of Tullow Bangladesh and certain Gabon assets for which Tullow did not receive any sales volumes in 2014. However, in 1H 2014 a loss was recognised from continuing activities before tax of \$29 million (1H 2013: \$486 million, profit) primarily as a result of one-off items in the first half of 2014 and a significant increase in exploration costs written off. The main factors explaining the movements between 1H 2014 and 1H 2013 were:

- A decrease in 1H 2014 sales revenue of \$82 million, primarily due to lower volumes, partially offset by a related \$43 million decrease in cash operating costs;
- A \$115 million loss on Uganda farm-down in 1H 2014 in relation to the partial impairment of contingent consideration and a one-off payment in relation to licence extensions; and
- An increase in 1H 2014 exploration write-offs of \$226 million.

In 1H 2014 a loss for the period from continuing activities after tax was recorded of \$95 million (1H 2013: \$313 million, profit). Basic earnings per share decreased 126% to a loss of 8.3 cents (1H 2013: profit 32.2 cents).

Key financial metrics	1H 2014	1H 2013	Change
Production (boepd, working interest basis)	78,400	88,600	-12%
Sales volume (boepd)	73,200	79,000	-7%
Realised oil price per bbl (\$)	106.7	105.5	1%
Realised gas price (pence per therm)	55.2	66.6	-17%
Sales Revenue (\$million)	1,265	1,347	-6%
Gross profit (\$million)	673	764	-12%
Cash operating costs per boe (\$) ¹	15.9	16.3	-2%
Operating profit (\$million)	36	500	-93%
(Loss)/profit from continuing activities before tax (\$million)	(29)	486	-106%
(Loss)/profit from continuing activities after tax (\$million)	(95)	313	-130%
Basic earnings per share (cents)	(8.3)	32.2	-126%
Cash generated from operations ² (\$million)	905	1,016	-11%
Operating cash flow per boe ² (\$)	63.5	61.3	4%
Capital investment ³ (\$million)	1,048	804	30%
Net debt ⁴ (\$million)	2,802	1,729	62%
Interest cover ⁵	16.4	38.3	-22
Gearing (%) ⁶	53	31	22%

1. Cash operating costs are cost of sales excluding depletion, depreciation and amortisation and under/over lift movements.

2. Before working capital movements.

3. On an accruals basis.

4. Net debt is cash and cash equivalents less financial liabilities.

5. Interest cover is earnings before interest, tax, depreciation and amortisation charges and exploration written-off divided by net finance costs.

6. Gearing is net debt divided by net assets.

Operating performance

Working interest production averaged 78,400 boepd, a decrease of 12% from the corresponding prior year period (1H 2013: 88,600 boepd). Sales volumes averaged 73,200 boepd, representing a decrease of 7%.

Realised oil price after hedging for the period was US\$106.7/bbl (1H 2013: US\$105.5/bbl). The realised UK gas price after hedging was 55.2 pence/therm (1H 2013: 66.6 pence/therm), a decrease of 17%. Lower sales volumes resulted in an overall revenue decrease of 6% to \$1.26 billion (1H 2013: \$1.35 billion).

Underlying cash operating costs, which exclude depletion and amortisation and movements on the underlift/overlift, amounted to \$227 million (1H 2013: \$270 million); \$15.9/boe (1H 2013; \$16.3/boe).

DD&A charges amounted to \$305 million; \$21.4/boe for the half-year (1H 2013: \$310 million; \$18.7/boe), the increased cost per boe is principally driven by an increase in decommissioning estimates at year end 2013. At the period-end, the Group was in a net overlift position of 590,000 barrels. The movements during 2014 in the overlift and stock positions have given rise to a charge of \$45 million to cost of sales (1H 2013: credit of \$15 million).

Administrative expenses of \$120 million (1H 2013: \$89 million) include an amount of \$11 million (1H 2013: \$15 million) associated with IFRS 2 – Share-based Payments. The increase is due to the increased activities being undertaken by the Group.

Exploration costs written-off

	1H 2014	1H 2013
Exploration costs written off (\$ million)	(402.2)	(176.0)
Associated deferred tax credit (\$ million)	109.2	31.0
Net exploration costs written off (\$ million)	(293.0)	(145.0)

During the first half of 2014 the Group invested \$0.5 billion on exploration and appraisal activities, including Norway exploration costs on a post tax basis (\$0.7 billion on a gross basis), and has written off \$139 million in relation to this expenditure. This included net write-offs in relation to current year expenditure in Norway (\$13 million), Mauritania (\$68 million) and Ethiopia (\$28 million) and new venture costs (\$21 million). In addition the Group has written off \$154 million in relation to prior years' expenditure and fair value adjustments as a result of licence relinquishments and changes in expected near-term work programmes. This included write-offs in Norway (\$15 million), Mauritania (\$78 million) and Côte d'Ivoire (\$56 million).

Operating profit

Operating profit decreased by 93% to \$36 million (1H 2013: \$500 million). Slightly lower sale volumes, significantly higher exploration write-offs in 2014 and the loss on disposal were partially offset by a reduction in 1H 2014 cash operating costs.

Derivative instruments

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

At 30 June 2014, the Group's derivative instruments had a net negative fair value of \$87 million (1H 2013: negative \$33 million), inclusive of deferred premium. While all of the Group's commodity derivative instruments currently qualify for hedge accounting, a pre tax charge of \$18 million (1H 2013: credit of \$12 million) has been recognised in the income statement for the first half of 2014. The charge is in relation to the changes in time value of the Group's commodity derivative instruments over the last six months, driven primarily by the movement in the forward curve during the period.

At 28 July 2014 the Group's commodity hedge position to the end of 2016 was as follows:

Hedge position	2014	2015	2016
Oil			
Volume – bopd	35,500	30,500	17,000
Current Price Hedge – US\$/bbl	107.10	105.56	102.05
Gas			
Volume – mmscfd	8.29	4.91	0.61
Current Price Hedge – p/therm	58.54	60.50	66.74

Net financing costs

The net interest charge for the period was \$47 million (1H 2013: \$25 million) and reflects higher net debt levels during 2014. The net interest charge includes interest incurred on the Group's debt facilities and the decommissioning finance charge offset by interest earned on cash deposits and borrowing costs capitalised against the Ugandan assets and the TEN development project in Ghana.

Taxation

The tax charge of \$66 million (1H 2013: \$173 million) relates to the Group's North Sea, Gabon, Equatorial Guinea and Ghana production activities. After adjusting for exploration write-offs, the related deferred tax benefit and the loss on disposal, the Group's underlying effective tax rate is 37% (1H 2013: 35%).

On 16 July 2014, the Uganda TAT issued their ruling and calculated Tullow's CGT liability for the 2012 Uganda farm-downs to Total and CNOOC, including certain reliefs, to be \$407 million, of which \$142 million has already been paid by Tullow. On 18 July 2014, Tullow filed a notice to appeal the TAT ruling before the Ugandan High Court. Tullow has also commenced an application before the Ugandan High Court to stay enforcement of the TAT ruling pending the outcome of the Ugandan High Court appeal. The Group is also considering making a provisional measures application to the International Centre for Settlement of Investment Disputes (ICSID) which would seek to delay enforcement of the EA2 portion of the TAT ruling pending the outcome of the ongoing international arbitration over the application of the tax exemption in the EA2 PSA. Pending the outcome of such stay application and, if made, such provisional measures application, it is not possible to determine when or indeed whether the TAT ruling will be enforced and so no provision has been made for payment of the TAT ruling at this stage.

Based on external legal advice, it is probable that Tullow will be successful in the international arbitration. In the event that the TAT ruling is enforced against Tullow, this would mean that the Group would record a receivable due from the URA equivalent to the amount Tullow expects to successfully claim pursuant to the international arbitration.

On 23 July 2014 Tullow received judgment from the Court of Appeal in respect to its case with Heritage Oil and Gas Limited. The Court of Appeal ruled in Tullow's favour on all but one of the points appealed by Heritage. This point relates to part of one of Tullow's indemnity claims and required Tullow to repay to Heritage approximately \$2.5 million plus interest. In all other respects the Court of Appeal has upheld the High Court's judgment.

Operating cash flow

Operating cash flow before working capital movements of \$905 million was slightly lower than the comparable prior year period (1H 2013: \$1,016 million) primarily due to lower revenues. In 1H 2014, this cash flow together with debt drawings helped fund \$1.2 billion capital investment in exploration and development activities, \$220 million payment of dividends and the servicing of debt facilities.

Reconciliation of net debt	\$m
Net debt as at 1 January 2014	(1,909)
Revenue	1,265
Operating costs	(227)
Operating expenses	(133)
Cash flow from operations before working capital movements	905
Movement in working capital	(178)
Tax paid	(162)
Capital expenditure	(1,196)
Disposals	(37)
Other investing activities	3
Financing activities	(99)
Dividends paid	(121)
Foreign exchange gain on cash and debt	(8)
Net debt as at 30 June 2014	(2,802)

Capital expenditure

Capital expenditure on an accruals basis amounted to \$1,048 million (\$1,196 million cash expenditure) for the first half of 2014 with 48% invested in development activities, 8% in appraisal activities and 44% in exploration activities. More than 55% of the total was invested in Ghana, Kenya and Uganda and over 90%, more than \$940 million, was invested in Africa. Based on current estimates and work programmes, 2014 capital expenditure is forecast to reach \$2.1 billion.

Portfolio management

Following the re-structuring of the UK and Dutch assets sales last year, Tullow signed a sale and purchase agreement for a 53.1% interest in the Schooner Unit and a 60% interest in the Ketch asset in the UK Southern North Sea with Faroe Petroleum (U.K.) Limited for headline consideration of \$75.6 million plus a royalty on future Schooner developments. The sale is expected to complete by the end of 2014. 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.

Dividend

The Board is proposing to maintain the interim dividend at 4.0 pence per share (1H 2013: 4.0 pence per share). The dividend will be paid on 3 October 2014 to shareholders on the register on 29 August 2014. Shareholders with registered addresses in the UK and countries outside the Euro zone will be paid their dividends in pounds Sterling. Shareholders with registered addresses within a country in the Euro zone will be paid their dividends in Euro. Shareholders may, however, elect to be paid their dividends in either pounds Sterling or Euro, provided such election is received at the Company's registrars by the record date for the dividend. Shareholders on the Ghana branch register will be paid their dividends in Ghana Cedis. The conversion rate for the dividend payments in Euro or Ghana Cedis will be determined using the applicable exchange rate on the 15 September 2014. A dividend re-investment plan (DRIP) is available to shareholders on the UK register who would prefer to invest their dividends in the shares of the Company. The last date to elect for the DRIP and to qualify for the share alternative in respect of this dividend is 12 September 2014.

Balance sheet

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. In the first half of 2014, Tullow refinanced and increased its commitments under the Revolving Corporate Facility to \$0.75 billion and commitments under the Reserve Based Lend Facility (\$3.5 billion) remain unchanged. At 30 June 2014, Tullow had net debt of \$2.8 billion (1H 2013: \$1.7 billion). Unutilised debt capacity at period-end amounted to approximately \$2.3 billion; as at 30 July unutilised debt capacity has increased to \$2.5 billion following the issuance of certain letters of credit under bilateral arrangements thereby releasing additional debt capacity under the Reserve Based Lend Facility. Gearing was 53% (1H 2013: 31%) and EBITDA interest cover was 16.4 times (1H 2013: 38.3 times). Total net assets at 30 June 2014 amounted to \$5.2 billion (30 June 2013: \$5.5 billion).

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. 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 will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2014 half-yearly results.

2014 principal risks and uncertainties

The Board determines the key risks for the Group and monitors mitigation plans and performance on a monthly basis. The principal risks and uncertainties facing the Group at the year-end are detailed in the risk management section of the 2013 Annual Report. The Group has identified its principal risks for the next 12 months as being:

- Receive appropriate approvals from Ugandan authorities, followed by commencement of the Plan of Development;
- Successful management and mitigation of above-ground risk given local elections and political uncertainty in key African countries of operation; and
- Successful delivery of the exploration programme and asset monetisation options.

Financial strategy and outlook

Our financial strategy remains to maintain the appropriate financial flexibility to fund high-impact exploration and selective developments. Our focus is to fund exploration activities from production cash flow and to fund selective developments primarily from a combination of debt capacity and swapping equity to pay for development costs (carries). Where surplus cash is generated from farm-downs, this will either be reinvested or returned to shareholders as appropriate. We will also continue to look to broaden the sources of funding for Tullow, whilst ensuring an appropriate capital structure. Allied to this we will work to ensure that our cost base remains appropriate as we continue to build our organisational capacity and international footprint. These goals are aligned with our 2014-2016 business plan key objectives and enable us to support the Group's growth strategy with a robust, well funded business.

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 2013 Annual Report and Accounts. A list of the current Directors is maintained on the Tullow Oil plc website: www.tulloil.com.

By order of the Board,

Aidan Heavey
Chief Executive Officer
29 July 2014

Ian Springett
Chief Financial Officer
29 July 2014

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 financial report for the six months ended 30 June 2014 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 14. We have read the other information contained in the half-yearly financial 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 Standards 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. Our work has been undertaken so that we might state to the company those matters we are required to state to it 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 financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial 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 financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standards 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 financial report for the six months ended 30 June 2014 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 Auditor

London, UK

29 July 2014

Condensed consolidated income statement

Six months ended 30 June 2014

	Note	6 months ended 30.06.14 Unaudited \$m	6 months ended 30.06.13 Unaudited \$m	Year ended 31.12.13 Audited \$m
Sales revenue	6	1,264.6	1,347.0	2,646.9
Cost of sales		(591.3)	(582.9)	(1,206.5)
Gross profit		673.3	764.1	1,440.4
Administrative expenses		(120.0)	(88.6)	(218.5)
(Loss)/profit on disposal	7	(114.8)	-	29.5
Exploration costs written off	8	(402.2)	(176.0)	(870.6)
Operating profit	6	36.3	499.5	380.8
(Loss)/gain on hedging instruments		(18.0)	11.5	(19.7)
Finance revenue		7.3	7.3	43.7
Finance costs		(54.5)	(32.1)	(91.6)
(Loss)/profit from continuing activities before tax		(28.9)	486.2	313.2
Income tax expense	10	(66.2)	(172.8)	(97.1)
(Loss)/profit for the period from continuing activities		(95.1)	313.4	216.1
Attributable to:				
Equity holders of the parent		(75.3)	292.2	169.0
Non-controlling interest		(19.8)	21.2	47.1
		(95.1)	313.4	216.1
Earnings per ordinary share		¢	¢	¢
Basic	3	(8.3)	32.2	18.6
Diluted	3	(8.3)	32.1	18.5

Condensed consolidated statement of comprehensive income and expense

Six months ended 30 June 2014

	6 months ended 30.06.14 Unaudited \$m	6 months ended 30.06.13 Unaudited \$m	Year ended 31.12.13 Audited \$m
(Loss)/profit for the period	(95.1)	313.4	216.1
Items that maybe reclassified to the income statement in subsequent periods			
Cash flow hedges			
(Losses)/gains in the period	(2.3)	11.6	3.4
Reclassification adjustments for items included in profit on realisation	3.2	3.0	5.3
	0.9	14.6	8.7
Exchange differences on translation of foreign operations	0.6	(28.4)	12.7
Other comprehensive income/(charge) before tax	1.5	(13.8)	21.4
Tax relating to components of other comprehensive income	(1.9)	0.3	0.1
Net other comprehensive (charge)/income for the period	(0.4)	(13.5)	21.5
Total comprehensive (charge)/income for the period	(95.5)	299.9	237.6
Attributable to:			
Equity holders of the parent	(75.7)	278.7	190.5
Non-controlling interest	(19.8)	21.2	47.1
	(95.5)	299.9	237.6

Condensed consolidated balance sheet

As at 30 June 2014

	Note	30.06.14 Unaudited \$m	*Restated 30.06.13 Unaudited \$m	31.12.13 Audited \$m
ASSETS				
Non-current assets				
Goodwill		350.5	350.5	350.5
Intangible exploration and evaluation assets	8	4,406.1	3,897.1	4,148.3
Property, plant and equipment		5,115.9	4,495.1	4,862.9
Investments		1.4	1.0	1.0
Other non-current assets	9	226.5	764.1	68.7
Derivative financial instruments		-	-	6.8
Deferred tax assets		-	9.3	1.1
		10,100.4	9,517.1	9,439.3
Current assets				
Inventories		182.1	162.5	193.9
Trade receivables		365.2	309.4	308.7
Other current assets	9	1,050.3	493.6	944.4
Current tax assets		217.0	159.1	226.2
Cash and cash equivalents		410.9	560.2	352.9
Assets classified as held for sale		45.9	101.7	43.2
		2,271.4	1,786.5	2,069.3
Total assets		12,371.8	11,303.6	11,508.6
LIABILITIES				
Current liabilities				
Trade and other payables		(1,095.7)	(1,017.1)	(1,041.1)
Borrowings		(157.9)	(115.2)	(159.4)
Current tax liabilities		(101.0)	(112.9)	(165.5)
Derivative financial instruments		(47.8)	(27.2)	(48.1)
Liabilities directly associated with assets classified as held for sale		(20.9)	(38.6)	(18.2)
		(1,423.3)	(1,311.0)	(1,432.3)
Non-current liabilities				
Trade and other payables		(28.4)	(134.5)	(29.4)
Borrowings		(2,958.2)	(2,046.1)	(1,995.0)
Derivative financial instruments		(39.0)	(5.3)	(28.3)
Provisions		(976.9)	(627.0)	(989.2)
Deferred tax liabilities		(1,697.3)	(1,659.4)	(1,588.0)
		(5,699.8)	(4,472.3)	(4,629.9)
Total liabilities		(7,123.1)	(5,783.3)	(6,062.2)
Net assets		5,248.7	5,520.3	5,446.4
EQUITY				
Called up share capital		147.0	146.7	146.9
Share premium		605.0	590.5	603.2
Foreign currency translation reserve		(154.5)	(196.2)	(155.1)
Hedge reserve		1.3	8.4	2.3
Other reserves		740.9	740.9	740.9
Retained earnings		3,820.3	4,116.4	3,984.7
Equity attributable to equity holders of the parent		5,160.0	5,406.7	5,322.9
Non-controlling interest		88.7	113.6	123.5
Total equity		5,248.7	5,520.3	5,446.4

*Certain numbers shown above do not correspond to the 2013 Half-yearly report as a result of a retrospective restatement as set out in note 14.

Condensed consolidated statement of changes in equity

As at 30 June 2014

	Share Capital \$m	Share Premium \$m	Foreign currency translation reserve \$m	Hedge reserve \$m	Other Reserves* \$m	Retained Earnings \$m	Total \$m	Non- controlling interest \$m	Total Equity \$m
At 1 January 2013	146.6	584.8	(167.8)	(6.5)	740.9	3,931.2	5,229.2	92.4	5,321.6
Profit for the period	-	-	-	-	-	292.2	292.2	21.2	313.4
Hedges, net of tax	-	-	-	14.9	-	-	14.9	-	14.9
Currency translation adjustments	-	-	(28.4)	-	-	-	(28.4)	-	(28.4)
Issue of employee share options	0.1	5.7	-	-	-	-	5.8	-	5.8
Vesting of PSP shares	-	-	-	-	-	(2.9)	(2.9)	-	(2.9)
Share-based payment charge	-	-	-	-	-	22.6	22.6	-	22.6
Dividends paid	-	-	-	-	-	(126.7)	(126.7)	-	(126.7)
At 30 June 2013	146.7	590.5	(196.2)	8.4	740.9	4,116.4	5,406.7	113.6	5,520.3
Loss for the period	-	-	-	-	-	(123.2)	(123.2)	25.9	(97.3)
Hedges, net of tax	-	-	-	(6.1)	-	-	(6.1)	-	(6.1)
Currency translation adjustments	-	-	41.1	-	-	-	41.1	-	41.1
Issue of employee share options	0.2	12.7	-	-	-	-	12.9	-	12.9
Vesting of PSP shares	-	-	-	-	-	(9.8)	(9.8)	-	(9.8)
Share-based payment charge	-	-	-	-	-	42.0	42.0	-	42.0
Dividends paid	-	-	-	-	-	(40.7)	(40.7)	-	(40.7)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(16.0)	(16.0)
At 31 December 2013	146.9	603.2	(155.1)	2.3	740.9	3,984.7	5,322.9	123.5	5,446.4
Loss for the period	-	-	-	-	-	(75.3)	(75.3)	(19.8)	(95.1)
Hedges, net of tax	-	-	-	(1.0)	-	-	(1.0)	-	(1.0)
Currency translation adjustments	-	-	0.6	-	-	-	0.6	-	0.6
Issue of employee share options	0.1	1.8	-	-	-	-	1.9	-	1.9
Vesting of PSP shares	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Share-based payment charge	-	-	-	-	-	32.0	32.0	-	32.0
Dividends paid	-	-	-	-	-	(121.0)	(121.0)	-	(121.0)
Distribution to non-controlling interests	-	-	-	-	-	-	-	(15.0)	(15.0)
At 30 June 2014	147.0	605.0	(154.5)	1.3	740.9	3,820.3	5,160.0	88.7	5,248.7

*Other reserves comprise Merger Reserve and Treasury Shares.

Condensed consolidated cash flow statement

Six months ended 30 June 2014

	Note	6 months ended 30.06.14 Unaudited \$m	6 months ended 30.06.13 Unaudited \$m	Year ended 31.12.13 Audited \$m
Cash flows from operating activities				
(Loss)/profit before taxation		(28.9)	486.2	313.2
Adjustments for:				
Depletion, depreciation and amortisation		324.1	323.0	591.9
Impairment loss		7.9	7.3	52.7
Exploration costs written off		402.2	176.0	870.6
Loss/(profit) on disposal of intangible assets		114.8	-	(29.5)
Decommissioning expenditure		(1.1)	(4.8)	(6.7)
Share based payment charge		20.4	14.8	41.3
Loss/(gain) on hedging instruments		18.0	(11.5)	19.7
Finance revenue		(7.3)	(7.3)	(43.7)
Finance costs		54.5	32.1	91.6
Operating cash flow before working capital movements		904.6	1,015.8	1,901.1
(Increase)/decrease in trade and other receivables		(234.8)	(78.2)	75.8
Decrease/(increase) in inventories		11.5	0.1	(28.9)
Increase in trade payables		44.9	92.7	49.6
Cash generated from operations		726.2	1,030.4	1,997.6
Income taxes paid		(161.6)	(290.8)	(252.3)
Net cash flow from operating activities		564.6	739.6	1,745.3
Cash flows from investing activities				
Disposal of subsidiaries		(0.8)	-	41.4
Disposal of intangible exploration & evaluation assets	7	(36.1)	-	38.2
Disposal of oil and gas assets		-	-	0.7
Purchase of subsidiaries		-	(392.8)	(392.8)
Purchase of intangible exploration & evaluation assets		(664.4)	(473.3)	(1,268.5)
Purchase of property, plant and equipment		(531.1)	(373.3)	(740.8)
Finance revenue		3.1	5.9	34.3
Net cash used in investing activities		(1,229.3)	(1,233.5)	(2,287.5)
Cash flows from financing activities				
Net proceeds from issue of share capital		1.9	2.9	6.0
Debt arrangement fees		(22.0)	(0.9)	(13.5)
Repayment of bank loans		(642.7)	-	(1,236.5)
Drawdown of bank loan		936.8	900.8	1,447.7
Issue of senior notes		650.0	-	650.0
Repayment of obligations under finance leases		(1.1)	-	(3.3)
Finance costs		(63.2)	(55.1)	(103.5)
Dividends paid		(121.0)	(126.7)	(167.4)
Distribution to minority shareholders		(15.0)	-	(16.0)
Net cash generated by financing activities		723.7	721.0	563.5
Net increase in cash and cash equivalents		59.0	227.1	21.3
Cash and cash equivalents at beginning of period		352.9	330.2	330.2
Cash transferred to held for sale		-	1.7	0.6
Translation difference		(1.0)	1.2	0.8
Cash and cash equivalents at end of period		410.9	560.2	352.9

Notes to the half-yearly financial statements

Six months ended 30 June 2014

1. General information

The Condensed financial statements for the six month period ended 30 June 2014 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and the requirements of the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) in the United Kingdom as applicable to interim financial reporting.

The Condensed financial statements represent a 'condensed set of financial statements' as referred to in the DTR issued by the FCA. Accordingly, they do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group's financial statements for the year ended 31 December 2013, which were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union (EU). The Condensed financial statements are unaudited and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. This information was derived from the statutory accounts for the year ended 31 December 2013, a copy of which has been delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of an emphasis of matter and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

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 financial 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.

In 2013, a number of new standards and interpretations became effective as noted in the 2013 Annual report and accounts (page 130). The adoption of these standards and interpretations has not had a material impact on the financial statements of the Group. Since the 2013 Annual report and accounts was published no significant new standards and interpretations have been issued. The following new and revised standards that impact Tullow became effective during 2014:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 28 (revised) Investment in Associates and Joint Ventures

The adoption of these standards has not had a material impact on the financial statements of the Group.

3. Earnings per share

The calculation of basic earnings per share is based on the loss attributable to equity shareholders of \$75.3 million (1H 2013: \$292.2 million, profit) and a weighted average number of shares in issue of 910.2 million (1H 2013: 907.9 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 1.8 million (1H 2013: 0.9 million) in respect of employee share options, resulting in a diluted weighted average number of shares of 912.0 million (1H 2013: 908.8 million).

4. Dividends

The Company's shareholders approved a final dividend for the year ended 31 December 2013 of 8p per share at the Annual General Meeting on 30 April 2014. This amount was paid on 9 May 2014 to shareholders on the register of members of the Company on 4 April 2014.

The Board has declared an interim 2014 dividend of 4p per share in the half year to 30 June 2014 to be paid on 3 October 2014 to shareholders on the register on 29 August 2014 (1H 2013: 4p per share).

5. Approval of Accounts

These unaudited half-yearly financial statements were approved by the Board of Directors on 29 July 2014.

6. Segmental reporting

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the three geographical regions within which the Group operates. The Group has one class of business, being the exploration, development, production and sale of hydrocarbons and therefore the Group's reportable segments under IFRS 8 are West and North Africa; South and East Africa; and Europe, South America and Asia. 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 2014 and 2013 and for the year ended 31 December 2013.

Six months ended 30 June 2014

	West and North Africa \$m	South and East Africa \$m	Europe, South America and Asia \$m	Unallocated \$m	Total \$m
Sales revenue by origin	1,099.3	-	165.3	-	1,264.6
Segment result	434.7	(29.9)	(130.8)	(2.9)	271.1
Loss on disposal					(114.8)
Unallocated corporate expenses					(120.0)
Operating profit					36.3
Loss on hedging instruments					(18.0)
Finance revenue					7.3
Finance costs					(54.5)
Loss before tax					(28.9)
Income tax expense					(66.2)
Loss after tax					(95.1)
Total assets	6,306.1	2,486.4	3,271.3	308.0	12,371.8
Total liabilities	(2,126.7)	(331.6)	(1,807.5)	(2,857.3)	(7,123.1)
Other segment information					
Capital expenditure:					
Property, plant and equipment	526.6	1.7	14.6	29.7	572.6
Intangible fixed assets	164.9	335.8	203.4	-	704.1
Depletion, depreciation and amortisation	(235.8)	(0.1)	(73.9)	(14.3)	(324.1)
Impairment losses recognised in income statement	(6.4)	-	(1.5)	-	(7.9)
Exploration costs written off	(227.1)	(29.9)	(145.2)	-	(402.2)

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 2013	West and North Africa \$m	South and East Africa \$m	Europe, South America and Asia \$m	Unallocated \$m	Total \$m
Sales revenue by origin	1,139.7	-	207.3	-	1,347.0
Segment result	670.1	(4.1)	(72.6)	(5.3)	588.1
Unallocated corporate expenses					(88.6)
Operating profit					499.5
Gain on hedging instruments					11.5
Finance revenue					7.3
Finance costs					(32.1)
Profit before tax					486.2
Income tax expense					(172.8)
Profit after tax					313.4
Total assets	5,463.9	2,464.5	3,078.2	297.0	11,303.6
Total liabilities	(1,578.2)	(293.7)	(1,819.6)	(2,091.8)	(5,783.3)
Other segment information					
Capital expenditure:					
Property, plant and equipment	358.7	0.2	57.5	24.2	440.6
Intangible fixed assets	78.7	242.3	216.7	-	537.7
Depletion, depreciation and amortisation	(227.2)	(0.2)	(84.2)	(11.4)	(323.0)
Impairment losses recognised in income statement	-	-	(7.3)	-	(7.3)
Exploration costs written off	(60.4)	(4.1)	(111.5)	-	(176.0)
Year ended 31 December 2013	West and North Africa \$m	South and East Africa \$m	Europe, South America and Asia \$m	Unallocated \$m	Total \$m
Sales revenue by origin	2,247.5	-	399.4	-	2,646.9
Segment result	1,285.5	(339.6)	(376.1)	-	569.8
Profit on disposal					29.5
Unallocated corporate expenses					(218.5)
Operating profit					380.8
Loss on hedging instruments					(19.7)
Finance revenue					43.7
Finance costs					(91.6)
Profit before tax					313.2
Income tax expense					(97.1)
Profit after tax					216.1
Total assets	5,940.4	2,173.3	3,212.0	182.9	11,508.6
Total liabilities	(1,943.6)	(276.4)	(1,771.6)	(2,070.6)	(6,062.2)
Other segment information					
Capital expenditure:					
Property, plant and equipment	876.7	2.3	164.2	27.2	1,070.4
Intangible fixed assets	262.9	570.0	669.8	-	1,502.7
Depletion, depreciation and amortisation	(425.5)	(0.5)	(142.2)	(23.7)	(591.9)
Impairment losses recognised income statement	-	-	(52.7)	-	(52.7)
Exploration costs written off	(113.4)	(334.9)	(422.3)	-	(870.6)

6. Segmental reporting (continued)

	Sales revenue 6 months ended 30.06.14 Unaudited \$m	Sales revenue 6 months ended 30.06.13 Unaudited \$m	Sales revenue Year ended 31.12.13 Audited \$m	Non-current assets 30.06.14 Unaudited \$m	Non-current assets 30.06.13 Unaudited \$m	Non-current assets 31.12.13 Audited \$m
Ghana	736.3	626.9	1,245.3	3,720.6	3,194.5	3,439.3
Equatorial Guinea	139.6	168.4	311.4	323.8	275.7	336.4
Gabon	164.2	251.1	493.5	369.5	350.1	330.8
Other	59.2	93.3	197.3	768.4	698.4	853.3
Total West and North Africa	1,099.3	1,139.7	2,247.5	5,182.3	4,518.7	4,959.8
Uganda	-	-	-	1,303.5	1,826.1	1,205.5
Other	-	-	-	603.9	434.8	394.7
Total South and East Africa	-	-	-	1,907.4	2,260.9	1,600.2
Netherlands	55.9	72.2	137.9	854.1	825.3	869.5
Norway	5.1	5.6	11.2	1,129.5	1,047.4	985.1
Other	104.3	129.5	250.3	848.4	717.5	861.2
Total Europe, South America and Asia	165.3	207.3	399.4	2,832.0	2,590.2	2,715.8
Unallocated	-	-	-	178.7	147.3	163.5
Total	1,264.6	1,347.0	2,646.9	10,100.4	9,517.1	9,439.3

7. Loss on disposal

On completion of the Ugandan farm down in 2012, Tullow recognised \$341.3 million of discounted contingent consideration due from Total and CNOOC as a non-current receivable. The amount of contingent consideration recoverable is dependent on the timing of the receipt of certain project approvals. Delays in receipt of the project approvals will result in a decrease on a straight-line basis of the amount recoverable.

During 2014 management have reassessed the likely date of receipt and have revised their best estimate from 1H 2014 to year end 2014. Management has exercised judgement in determining what event will trigger receipt of the contingent consideration and when this will occur. The judgement has been based on the progress of ongoing discussions with Government and Partners. Due to the contractual clauses associated with the contingent consideration a change to estimated date of receipt from 1H 2014 to year end 2014 reduces the amount receivable resulting in a reduction of the discounted amortised contingent consideration to \$289.1 million, triggering a 2014 income statement charge of \$77.8 million which has been classified as a loss on disposal.

During 2014 the Group has made a payment of \$36.6 million in respect of consideration adjustments granted on the farm down of Tullow's interest in Uganda and received \$0.5 million in respect of certain Norwegian licence disposals. The Uganda payment has been charged to the income statement as a loss on disposal.

8. Intangible exploration and evaluation assets

	6 months ended 30.06.14 Unaudited \$m	*Restated 6 months ended 30.06.13 Unaudited \$m	Year ended 31.12.13 Audited \$m
Opening balance	4,148.3	2,977.1	2,977.1
Acquisition of subsidiaries	-	593.3	593.3
Additions	704.1	537.7	1,502.7
Disposals	-	(8.2)	(8.6)
Amounts written off	(402.2)	(176.0)	(865.5)
Write-off associated with Norway contingent consideration **	(37.7)	-	(41.2)
Transfer to property, plant and equipment	-	(2.7)	(2.7)
Currency translation adjustments	(6.4)	(24.1)	(6.8)
Closing balance	4,406.1	3,897.1	4,148.3

*Certain numbers shown above do not correspond to the 2013 Half-yearly report due to a retrospective restatement as set out in note 14.

** Charged against balance sheet provision.

8. Intangible exploration and evaluation assets (continued)

	6 months ended 30.06.14 Unaudited \$m	6 months ended 30.06.13 Unaudited \$m	Year ended 31.12.13 Audited \$m
Exploration costs written off	(402.2)	(176.0)	(870.6)
Associated deferred tax credit	109.2	31.0	173.9
Net exploration costs written off	(293.0)	(145.0)	(696.7)

During the first half of 2014 the Group spent \$0.5 billion on exploration and appraisal, including Norway exploration costs on a post tax basis and has written off \$139.3 million in relation to this expenditure. This included net write-offs in relation to current year expenditure in Norway (\$13.0 million), Mauritania (\$67.9 million) and Ethiopia (\$28.4 million) and new venture costs were \$21.4 million. In addition the Group has written off \$153.7 million in relation to prior years expenditure and fair value adjustments as a result of licence relinquishments and changes in expected near-term work programmes. This included write-offs in Norway (\$15.1 million), Mauritania (\$78.2 million) and Côte d'Ivoire (\$55.6 million).

9. Other assets

	6 months ended 30.06.14 Unaudited \$m	6 months ended 30.06.13 Unaudited \$m	Year ended 31.12.13 Audited \$m
Non-current			
Contingent consideration receivable	-	353.4	-
Recoverable security due from Heritage Oil and Gas Limited	-	283.0	-
Uganda VAT recoverable	50.6	50.6	50.6
Norwegian tax receivable	155.9	77.1	-
Other non-current assets	20.0	-	18.1
	226.5	764.1	68.7
Current			
Contingent consideration receivable	291.7	-	358.1
Amounts due from joint venture partners	421.0	276.3	367.2
Underlifts	7.0	38.7	30.8
Prepayments	147.7	28.7	99.3
VAT recoverable	51.3	11.5	7.9
Other current assets	131.6	138.4	81.1
	1,050.3	493.6	944.4

As at 30 June 2014, \$291.7 million has been recorded as a current receivable (1H 2013: \$353.4 million, non-current) in respect of contingent consideration due on the 2012 Ugandan farm down. The carrying value represents a receivable due of \$370.2 million discounted to the estimated due date to reflect the credit risk of the counterparties and the time value of money, less an impairment recognised in 2014 (note 7). The unwinding of the discount has been accounted for as finance revenue.

In the second half of 2013 Tullow was successful in an action against Heritage Oil and Gas Ltd and received payment of \$345.8 million in August 2013, which included receipt of the \$313.0 million due and \$32.8 million of interest, which was recorded as finance revenue in 2013. The Group had previously provided for \$30.0 million in respect to the \$313.0 million. On 20 September 2013, the Court of Appeal granted Heritage permission to appeal the judgment. The appeal hearing was heard in May 2014. On 23 July 2014 Tullow received judgment from the Court of Appeal which ruled in Tullow's favour on all but one of the points appealed by Heritage. This point relates to part of one of Tullow's indemnity claims and required Tullow to repay to Heritage approximately \$2.5 million plus interest. In all other respects the Court of Appeal has upheld the High Court's judgment.

10. Taxation

The tax charge of \$66 million (1H 2013: \$173 million) relates to the Group's North Sea, Gabon, Equatorial Guinea and Ghana production activities. After adjusting for exploration write-offs, the related deferred tax benefit and the loss on disposal, the Group's underlying effective tax rate is 37% (1H 2013: 35%).

11. Capital structure

In the six months ended 30 June 2014, the Group issued 0.4 million (1H 2013: 0.6million) new shares in respect of employee share options.

As at 30 June 2014 the Group had in issue 910.4 million allotted and fully paid ordinary shares of Stg 10 pence each (1H 2013: 908.3 million).

12. Contingent liabilities

	30.06.14 Unaudited \$m	30.06.13 Unaudited \$m	31.12.13 Audited \$m
Performance guarantees	338.1	149.8	183.5
Uganda CGT	265.0	399.0	399.0
Recoverable security received from Heritage Oil and Gas Limited	9	345.8	345.8
Other contingent liabilities	6.5	6.5	6.5
	609.6	901.1	934.8

In October 2010, the Uganda Revenue Authority (URA) issued an assessment of \$476 million in respect of capital gains tax (CGT) on the farm-down of Tullow's Ugandan interests to Total and CNOOC. This assessment was subsequently reduced to \$473 million. In February 2011, Tullow commenced its appeal of the URA's assessment before the Ugandan Tax Appeals Tribunal (TAT). At completion of the farm-down, \$142 million was paid by Tullow to the URA, being 30% of the tax assessed as required under Ugandan law for Tullow to be able to dispute the assessment. The URA's assessment denied relief for costs incurred by the Group in the normal course of developing the assets, and excluded certain contractual and statutory reliefs from CGT that the Group maintains are properly allowable.

In October 2013, Tullow commenced international arbitration proceedings before the International Centre for Settlement of Investment Disputes (ICSID) against the Government of Uganda in relation to the URA's failure, in making their assessment, to apply a tax exemption in the Production Sharing Agreement for Exploration Area 2 (EA2 PSA) which, Tullow contends, relieves Tullow from paying any CGT in relation to the farm-down of its interests in the EA2 PSA.

On 16 July 2014, the TAT issued their ruling and calculated Tullow's CGT liability for the farm-downs, including certain reliefs, to be \$407 million, of which \$142 million has already been paid by Tullow. On 18 July 2014, Tullow filed a notice to appeal the TAT ruling before the Ugandan High Court. Tullow has also commenced an application before the Ugandan High Court to stay enforcement of the TAT ruling pending the outcome of the Ugandan High Court appeal. The Group is also considering making a provisional measures application to the international arbitration tribunal which would seek to delay enforcement of the EA2 portion of the TAT judgment pending the outcome of the international arbitration. Pending the outcome of such stay application and, if made, such provisional measures application, it is not possible to determine when or indeed whether the TAT ruling will be enforced and so no provision has been made for payment of the TAT ruling at this stage.

Based on external legal advice, it is probable that Tullow will be successful in the international arbitration. In the event that the TAT ruling is enforced against Tullow, this would mean that the Group would record a receivable due from the URA equivalent to the amount Tullow expects to successfully claim pursuant to the international arbitration. However, management have determined that there is a possible chance (less than 50% but greater than 5%) that the international arbitration will not award in Tullow's favour and therefore the Group has disclosed a contingent liability for this potential loss.

Performance guarantees are in respect of abandonment obligations, committed work programmes and certain financial obligations.

13. Subsequent events

Since the balance sheet date Tullow has continued its exploration, development and business growth strategies.

14. Retrospective restatement

The fair values of the identifiable assets and liabilities of the Spring acquisition were reassessed in the second half of 2013, to reflect additional information which has become available concerning conditions that existed at the date of acquisition, in accordance with the provisions of IFRS 3 – Business Combinations. Adjustments made to previously reported fair values have been retrospectively restated. The principal fair value adjustments are in respect of intangible exploration and appraisal assets and property plant and equipment as a result of the finalisation of an independent review of acquired commercial reserves and contingent resources.

14. Retrospective restatement (continued)

The impact on the 2013 Half-yearly report is summarised in the below table, there is no income statement impact of the retrospective restatement.

	Previously stated 6 months ended 30.06.13 Unaudited \$m	Adjustment to business combination fair values \$m	Restated 6 months ended 30.06.13 Unaudited \$m
Effect on balance sheet:			
Intangible exploration and evaluation assets	3,868.9	28.2	3,897.1
Property, plant and equipment	4,523.3	(28.2)	4,495.1
Non-current assets	9,517.1	-	9,517.1
Total assets	11,303.6	-	11,303.6
Total equity	5,520.3	-	5,520.3

15. Commercial Reserves and Contingent Resources Summary (not reviewed by Auditors) working interest basis

	West and North Africa		South and East Africa		Europe, South America and Asia		TOTAL		
	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Oil mmbbl	Gas bcf	Petroleum mmbbl
COMMERCIAL RESERVES									
1 Jan 2014	326.0	175.9	-	-	1.3	154.6	327.3	330.5	382.4
Revisions	0.8	-	-	-	-	0.2	0.8	0.2	0.8
Production	(11.2)	(1.2)	-	-	(0.1)	(15.2)	(11.3)	(16.4)	(14.0)
30 June 2014	315.6	174.7	-	-	1.2	139.6	315.5	314.3	369.2
CONTINGENT RESOURCES									
1 Jan 2014	105.5	1,228.4	519.3	363.0	108.2	168.7	733.0	1,760.1	1,026.4
Revisions	-	-	-	-	-	0.5	-	0.5	0.1
30 June 2014	105.5	1,228.4	519.3	363.0	108.2	169.2	733.0	1,760.6	1,026.5
TOTAL									
30 June 2014	421.1	1,403.1	519.3	363.0	109.4	308.8	1,048.5	2,074.9	1,395.7

1. Proven and Probable Commercial Reserves are based on a Group reserves report produced by an independent engineer. Reserves estimates for each field are reviewed by the independent engineer based on significant new data or a material change with a review of each field undertaken at least every two years.
2. Proven and Probable Contingent Resources are based on both Tullow's estimates and the Group reserves report produced by an independent engineer.

The Group provides for depletion and amortisation of tangible fixed assets on a net entitlements basis, which reflects the terms of the Production Sharing Contracts related to each field. Total net entitlement reserves were 336.3 mmboe at 30 June 2014 (30 June 2013: 335.8 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 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 21 countries which are managed as three regional business units: West & North Africa, South & East Africa and Europe, South America and Asia.

EVENTS ON THE DAY

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

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

To access the call please dial the appropriate number below shortly before the call and ask for the Tullow Oil plc conference call. A replay facility will be available from approximately noon on 30 July until 6 August. The telephone numbers and access code are:

Live event		Replay facility available from Noon	
UK local number	+44 (0) 20 3427 1912	UK Participants	+44 (0) 20 3427 0598
UK Freephone	0800 279 5004	Irish Participants	+353 1 486 0902
Irish Participants	+353 1 4860 921	Access Code	7116186

To join the live video webcast, or play the on-demand version which will be available from 1pm on 30 July, you will need to have either Real Player or Windows Media Player installed on your computer.

11.00 GMT – Press Conference Call

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

UK Toll Free	0808 109 0700	International Participants	+44 (0) 20 3003 2666
UK Local Call	020 3003 2666	USA Toll Free	+1 866 966 5335
Ireland Toll Free	1 800 930 488	Access code	7502919

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.

Live Event			
Domestic Toll Free	+1877 280 2296	Access code	3266602
Toll	+1718 354 1152		

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