TULLOW OIL PLC

2015

TRADING STATEMENT AND OPERATIONAL UPDATE

1 July 2015

TULLOW Oil plc

Tullow Oil plc – Trading Statement & Operational Update

Actions taken in the first half to re-set the business, improve funding liquidity and cut costs

Strong West Africa oil production in the first half; 2015 full year guidance increased

TEN Project remains within budget and on schedule for first oil in mid-2016

1 July 2015 – Tullow Oil plc (Tullow) issues this statement to summarise recent operational activities and to provide trading guidance in respect of the financial year to 30 June 2015. This is in advance of the Group's Half Year Results, which are scheduled for release on Wednesday 29 July 2015. The information contained herein has not been audited and may be subject to further review.

COMMENTING TODAY, AIDAN HEAVEY, CHIEF EXECUTIVE SAID:

"We have taken a number of important steps to ensure that Tullow remains on a firm financial footing. This approach is paying off with good progress across the business in the first half of 2015. Our major oil producing assets in West Africa have performed strongly and we have upgraded our 2015 full year production forecast accordingly. The TEN Project remains within budget and on track for first oil in mid-2016. In East Africa, we are making steady progress towards project sanction with good appraisal and test results from our wells in Northern Kenya and strong support from the Governments of Kenya and Uganda. Finally, we continue to build our inventory of exploration prospects to provide options when market conditions improve."

Operational Update

PRODUCTION

In the first half of 2015, West Africa working interest oil production was within guidance averaging 66,500 bopd. As a result of strong performance from Jubilee and the non-operated portfolio, 2015 working interest production guidance for West Africa has been increased to 66,000-70,000 bopd from 63,000-68,000 bopd. In Europe, working interest gas production for the first half of 2015 was within guidance averaging 8,100 boepd. This figure includes the impact of the completion of a Netherlands gas asset sale on 30 April 2015 to AU Energy. Average working interest production guidance in Europe, having been adjusted by 1,000 boepd to account for this sale, is now 6,000-8,000 boepd from 6,000-9,000 boped.

WEST AFRICA

Jubilee production performance has remained strong averaging around 105,000 bopd gross (37,300 bopd net) during the first half of 2015. Final commissioning of the onshore gas processing facility was completed in March 2015 and since then gas exports from the Jubilee field have averaged around 80 mmscfd. Tullow plans to drill two additional Phase 1A wells and the first of these, J-37, has commenced drilling. In light of the performance of the Jubilee field year to date and the decision to have a planned one week shutdown in the second half of 2015, Tullow has increased its full year 2015 average working interest production guidance for the field to 103,000 bopd (36,500 bopd net). Work continues to incorporate the Mahogany, Teak and Akasa resources in the Greater Jubilee Full Field Development Plan which the partnership plans to submit to the Government of Ghana by year-end.

The TEN Project continues to make excellent progress and remains within budget and on schedule for first oil in mid-2016. Important milestones on the project achieved during the second quarter included: the running of the first two of ten well completions; the installation of the turret on the bow of the FPSO; the first in-country fabrication works made ready for the start of the offshore installation campaign in mid-July; and specialist subsea manifolds and umbilicals from the USA made ready for transport to Ghana. Following the 25 April ruling from the Special Chamber of the International Tribunal of the Law of the Sea (ITLOS) on Provisional Measures, discussions are ongoing with the Government of Ghana on their implementation and no impact is expected on project activity to first oil.

In Gabon, due to ongoing licence discussions with the Government regarding the Onal fields, Tullow has not included Onal (approximately 2,000 bopd net), in its first half 2015 Group production figures. However, an agreement with the Government is expected and Tullow has retained the annual production from the fields in its Group 2015 full year guidance.

EAST AFRICA

In East Africa, progress is being made on the decision regarding the route of the export pipeline with the Technical Consultant having submitted its final feasibility report to the Governments of Uganda and Kenya. It is expected that the Governments will shortly agree on the preferred routing which will enable the next phase of work on the pipeline to progress.

Kenya operations have been focused on the South Lokichar Blocks 10BB and 13T where appraisal drilling and Extended Well Tests (EWT) are continuing. In May, the Amosing EWT commenced and five reservoir zones in the field were tested across two wells, being separately produced in one well while pressure responses were measured in the other well. Production from all five zones was at a combined average constrained rate of 4,300 bopd under natural flow conditions and a cumulative volume of 30,000 barrels of oil was produced into storage. The pressure data supports significant connected oil volumes and confirms lateral reservoir continuity between the wells which is positive for the future development of the Amosing field. Having completed the production testing, preparations are now under way for water injection tests into each of the five completed reservoir zones in Amosing-2A. These tests will validate the viability of water flood reservoir management and the oil recovery assumptions for the Field Development Plan.

Elsewhere in the South Lokichar basin, preparations for the Ngamia field EWT are under way. Multi zone completions were installed in the Ngamia-8, Ngamia-3 and Ngamia-6 wells. Initial rig-less flow testing during clean-up was at a combined maximum rate of 3,900 bopd and 1,740 bopd of 30 to 33 degree API oil for Ngamia-8 and Ngamia-3 with Ngamia-6 clean-up flow testing ongoing. These initial results are very encouraging.

The PR Marriott 46 rig spudded the Ngamia-9 appraisal well on 13 June 2015. Following this well, the rig will then move to drill the Twiga-3 and Amosing-5 appraisal wells, completing the 2015 appraisal drilling activities. In the third quarter of 2015, a basin testing exploration well is planned at Cheptuket in Block 12A. The well will test a basin bounding structural closure in a similar structural setting to the successful discoveries along the western bounding rift basin fault in the South Lokichar basin.

In Uganda, progress has been made on several fiscal matters which it is hoped will enable substantive progress to be made towards the sanction of the Lake Albert oil development. On 11 June 2015, the Government announced that it had amended the VAT Act to relieve oil exploration and development from VAT. On 22 June 2015, following constructive discussions with the Government of Uganda and the URA, Tullow announced that it had agreed to pay $250 million in full and final settlement of its CGT liability for the farm-downs to Total and CNOOC that completed in 2012. This sum comprises $142 million that Tullow paid in 2012 and $108 million to be paid in three equal installments. The first of these was paid upon settlement and the remainder will be paid in 2016 and 2017.

EUROPE AND SOUTH AMERICA

In Norway, Tullow completed the Bjaaland exploration well in May with only residual oil shows encountered. The well was plugged and abandoned. The Leiv Eiriksson semi-submersible drilled the Bjaaland well and moved to the Tullow operated Zumba prospect which completed drilling in June and was plugged and abandoned as a dry hole.

Tullow has also been actively managing its equity position and exposure to drilling costs in Norway across a number of licences. Completed farmdown transactions resulted in a reduction to Tullow's equity in the Zumba and Hagar prospects to 40% and 10% respectively, subject to Government approval.

In the Netherlands, Tullow completed the sale of its operated and non-operated interests in the L12/15 area and Blocks Q4 and Q5 to AU Energy on 30 April 2015. The consideration was €64 million for the sale of approximately 1,500 boepd. On 5 June 2015, a farmdown to GDF Suez E&P Nederland completed resulting in the sale of 30% equity and the operatorship of Exploration Licences E10, E11 (including Tullow's Vincent discovery), E14, E15c and E18b. Following these and previous deals, Tullow no longer holds any operated licences in the UK or Netherlands.

In the Caribbean-Guyanas, Tullow has been very active maturing its exploration opportunities in the region. In May, the Spari-1 well in Suriname commenced drilling with a result expected in August. In Jamaica, where Tullow has a significant offshore acreage position, a bathymetry survey has been completed on the Walton & Morant Blocks. The survey results provided indications of possible seeps on which to position drop cores and this operation has commenced.

Trading Statement Guidance

Guidance is provided in relation to Tullow's half year reporting to 30 June 2015 in advance of the Group's Half Year Results release on 29 July 2015. Guidance figures are subject to change.

SALES, REVENUE AND GROSS PROFIT

	1H 2015	1H 2014
West Africa working interest production (bopd)	66,500	63,900
Europe working interest production (boepd)	8,100	14,500
Sales volumes (boepd)	66,500	73,200
Total revenue ($ bn)	0.8	1.3
Gross profit ($ bn)	0.3	0.7
Administrative expenses ($ bn)	0.1	0.1
Pre-tax operating cash flow (before working capital) ($ bn)	0.5	0.9

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

Note 2: The decline of Europe working interest production and sales volumes can be attributed to the farm-downs of the Q&L Blocks (Netherlands) in 1H 2015 and of Schooner and Ketch (UK) in 2014.

Note 3: Administrative expenses (G&A) are essentially flat in 1H 2015 as the impact of organisation simplification changes will not start to be realised until 2H 2015. Tullow is on track to achieve its $500 million savings target over 3 years.

REALISED PRICES

	1H 2015	1H 2014
1H 2015 Realised post hedge oil price ($/bl)	71.4	106.7
1H 2015 Realised post hedge gas price (p/therm)	46.2	55.2

HEDGING INSTRUMENTS

	1H 2015	1H 2014
(Loss)/gain on hedging instruments ($m)	(50)	(18)

Note 4: The $50m loss is an estimate at 31 May 2015; the actual period end figure to be reported in the Half year results may differ. The $50m loss is in relation to the changes in time value of the Group's commodity derivative instruments over the last 6 months, driven by changes in implied volatility and the movement in the forward curve during the period. As at 29 May 2015, the Group's derivative instrument had a positive fair value of $270 million, inclusive of deferred premium.

HEDGING POSITION (as at 29 June 2015)

	2H 2015	2016	2017	2018
Oil Volume (bopd)	34,500	31,257	19,500	5,000
Average Floor price protected ($/bbl)	85.98	79.29	76.68	68.04
Gas Volume (mmscfd)	3.73	0.62		
Average Floor price protected (p/therm)	55.00	63.00		

EXPLORATION WRITE OFF

	Pre-tax write off	Tax effect	Net write off
1H 2015 activity ($m)	75	(37)	38
Prior years activity ($m)	10	(8)	2
1H 2015 Total ($m)	85	(45)	40

Note 5: During 1H 2015 the Group spent $0.15 billion, including Norway exploration costs on a post tax cash basis, on exploration and appraisal activities, and expects to write off approximately $38 million in relation to this expenditure. The Group expects to write-off approximately $2 million of prior year expenditure in Norway. Therefore, the total net exploration write-offs for 1H 2015 are expected to be approximately $40 million. This will be shown in the income statement as a $85 million exploration write-off and an income tax credit of $45 million in relation to tax relief received in respect of Norwegian expenditure.

LOSS ON DISPOSAL & RESTRUCTURING COSTS

	1H 2015	1H 2014
Loss on disposal ($m)	50	115
Restructuring costs (gross) ($m)	47	-
Restructuring costs (net) ($m)	17	-

Note 6: The loss on disposal relates to the farm-down of the Q&L blocks in the Netherlands, where $55m net of adjustments was received in cash.

Note 7: Gross restructuring costs are the total costs Tullow is expecting to occur in respect of the simplification project announced in November 2014. Net restructuring costs represent the portion of these costs that relate to corporate G&A activities that have not been recharged to capital projects, operating costs or partners.

TAXATION

	1H 2015	1H 2014
Tax Charge ($m)	60	66

Note 8: After adjusting for exploration write-offs, impairments, related deferred tax benefits, and profits/losses on disposal, the Group's underlying effective tax rate is between 30-35%. With the inclusion of these items the Group's net tax charge in the income statement is a charge of $60m, which includes a $108m prior year charge for Ugandan CGT.

CAPITAL EXPENDITURE

	1H 2015	2015 full year
Capital expenditure ($ bn)	0.9	1.9
E&A/D&O split (%)	15/85	10/90

Note 9: Capital expenditure excludes acquisition costs and includes Norway exploration costs on a post tax cash basis.

DEBT SUMMARY

	As at 30 Jun 2015	As at 30 Jun 2014
Net Debt ($bn)	3.6	2.8
Facility Headroom ($bn)	2.1	2.3
Free Cash ($bn)	0.2	0.2
Committed Bank Facilities ($bn)	5.0	4.75
Corporate Bonds ($bn)	1.3	1.3

Note 10: On 19 March 2015 Tullow arranged a $0.2bn increase in commitments on its Reserves Based Lending Facility and a $0.25bn increase in commitments on its Revolving Corporate Facility.

Note 11: Committed bank facilities include an Exploration Finance Facility of c.$300m, a working capital facility relating to exploration expenditure on our Norwegian exploration licences.

GROUP AVERAGE WORKING INTEREST PRODUCTION [1]

	1H 2015 Actual (kboepd)	2015 Full Year Forecast (kboepd)
Ghana	37.3	36.5
Equatorial Guinea		
Ceiba	*3.0*	*2.8*
Okume	*6.1*	*6.0*
Total Equatorial Guinea	9.1	8.8
Gabon		
Tchatamba	*5.2*	*4.8*
Limande	*2.1*	*2.6*
Etame Complex	*1.4*	*1.6*
Other Gabon	*4.1*	*6.1*
Total Gabon	12.8	15.1
Côte d'Ivoire	3.9	4.3
Congo (Brazzaville)	2.2	2.2
Mauritania	1.2	1.1
West Africa sub-total	**66.5**	**68.0**
UK	3.9	3.4
Netherlands	4.2	3.6
Europe sub-total	**8.1**	**7.0**
GROUP TOTAL	**74.6**	**75.0**

(1) *Includes condensate*

CURRENTLY PLANNED 2015 EXPLORATION AND APPRAISAL ACTIVITY

Country	Block/Licence	Prospect/Well	Interest	Spud Date
WEST AFRICA				
Gabon	Nziembou	Igongo-1 test	40%	In progress
EAST AFRICA				
Kenya	12A	Cheptuket (ex-Lekep)	65% (op)	Q3 2015
Kenya	10BB	Amosing-5 appraisal	50% (op)	Q3 2015
Kenya	10BB	Ngamia-9 appraisal	50% (op)	In progress
Kenya	13T	Twiga-3 appraisal	50% (op)	Q3 2015
EUROPE, SOUTH AMERICA & ASIA				
Norway	PL642	Hagar	10%	Q3 2015
Netherlands	J09	Alpha-North	9.95%	Q3 2015
Netherlands	K15	FG-SE-B appraisal	9.95%	In progress
Netherlands	K15	FI-N	9.95%	In progress
Suriname	Block 31	Spari	30%	In progress
Pakistan	Kalchas	Kup	30%	In progress

FOR FURTHER INFORMATION CONTACT:

Tullow Oil plc	Citigate Dewe Rogerson	Murray Consultants
(London)	(London)	(Dublin)
(+44 20 3249 9000)	(+44 207 638 9571)	(+353 1 498 0300)
Chris Perry (Investor Relations)	Martin Jackson	Ed Micheau
James Arnold (Investor Relations)	Shabnam Bashir	Pat Walsh
George Cazenove (Media Relations)		

Notes to Editors

Tullow Oil plc

Tullow is a leading independent oil & gas, exploration and production group, quoted on the London, Irish and Ghanaian stock exchanges (symbol: TLW). The Group has interests in over 130 exploration and production licences across 22 countries which are managed as three Business Delivery Teams.

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