

An outstanding year

2008 was another year of record achievement for Tullow. Exceptional exploration and appraisal results, strong production, profitable portfolio management and the recent successful fund-raising underpin our ability to continue to grow.

An outstanding year

The scale of Tullow's business is being transformed again. There has been a material increase in the Group's booked reserves and resources and two major world-class basins are being successfully fast-tracked towards development. Highlights for 2008 include:

- 100% exploration and appraisal success in Ghana and Uganda, which significantly de-risks these projects and supports material follow-on campaigns;
- Strong progress towards being a leading deepwater operator with the preparation of the Jubilee Plan of Development and initiation of Phase 1;
- Major oil discoveries in Uganda, moving past the commercial volume threshold for the Lake Albert Rift Basin and into basin-wide phased development;
- 66,600 boepd average working interest production, with strong results from key producing assets in Africa;
- £285 million proceeds realised from asset sales including the sale of the Hewett-Bacton fields and terminal;

- Exploration and impairment write-offs of £253 million comprising impairment charges of £26 million, exploration write-off of £63 million and asset write-downs of £164 million;
- Best ever safety performance and US\$1.8 million invested in 'Working with Communities' initiatives, up 100%;
- 46% increase in employees, as we continued to attract key people and skills to build depth and strength in technical, operational and financial capabilities throughout Tullow; and
- Good discipline in capital allocation, supported by a successful debt financing and equity placing in early 2009.

Record health and safety performance

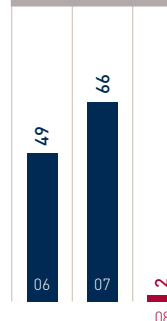
A Lost Time Incident Frequency Rate (LTIFR) of 0.49 per million hours worked was achieved against the current Oil & Gas Producers (OGP) most recent average of 0.66. This is the Group's best Health and Safety (H&S) performance to date and these results reflect Tullow's unwavering commitment to ensure the safety of our staff, contractors,

"We are financially strong, entrepreneurial in spirit and well resourced with excellent technical and operational capability. The future for Tullow is very bright."



Pat Plunkett, Chairman


Total Shareholder Return (TSR) (%)



2%

Tullow was the 9th best performer in the FTSE 100, in a difficult year for global stock markets.

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partners and local communities and our determination to continuously improve our performance in the area.

Board and management changes

In March 2008, Matt O'Donoghue retired as General Manager Projects and from the Board. Since joining Tullow in 1987, Matt had given great service in a 21-year career spanning Tullow's first project in Senegal to commencing the Jubilee field development in Ghana. His dedication and commitment played a major role in the success of Tullow.

In April 2008, Tom Hickey announced his resignation, for personal reasons, from his position as Chief Financial Officer and from the Board. Since joining Tullow in 2000, Tom has made an outstanding contribution to the Group during a unique period in the growth and development of the business. To effect an orderly transition, Tom remained in his role until the end of September.

Ian Springett was appointed to the Board as Chief Financial Officer, from 1 September 2008. Ian has a wealth of international oil and gas experience having worked for much of his career with BP and brings excellent financial, commercial and planning skills to the Group.

In May 2008, Tullow announced the appointment of Ann Grant as a non-executive Director. Ann has had an extensive diplomatic career with invaluable experience in Africa, which is of particular relevance to Tullow as we seek to expand our business there.

Major investment in people

We have continued to invest in the Tullow team and increase the capability of the organisation. As the scale and complexity of our portfolio increases we are ensuring that we are fully prepared for the next phase of growth. One of the big issues for most Exploration and Production (E&P) companies today is recruitment and retention. However, because of the success we have enjoyed in recent years and the career opportunities and rewards this offers, we have been able to build and continue to build a very strong team. At the start of 2008, we employed 370 people and now have a team of 540, up 46%. On pages 48 and 49 of this report, we have a new 'Our people' section which sets out in more detail our people strategy.

Comprehensive risk management

Tullow faces a wide range of risks in its day-to-day operations and, in addition, the Group has identified and is addressing material risks to strategic delivery. Risk is of particular importance in today's environment and detailed information on risk and how this is managed by the Group is outlined in the risk management and risk factors section, on pages 44 to 47 of this report.

Delivering shareholder value

In 2008, share prices across all sectors were affected by the unprecedented turmoil in global financial markets and economies. As a consequence, Tullow delivered TSR of 2% for 2008. However, the Group significantly outperformed the FTSE 100 where TSR was minus 28%. The Group achieved the 9th best share performance in the Index for the year. Over a five-year period since 2004, Tullow has consistently outperformed the market and has delivered TSR of more than 700%.

Dividend

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

Looking ahead

Given the current economic climate, these will be challenging times for the oil and gas sector but Tullow is well positioned following an outstanding year in 2008. We are clear on our key priorities – Ghana and Uganda – and have focused our resources, both human and capital, on these significant challenges. We are financially strong, entrepreneurial in spirit and well resourced with excellent technical and operational capability. The future for Tullow is very bright.



Pat Plunkett, Chairman