

The next phase of growth

With world-class development assets, an extensive exploration portfolio and a strong balance sheet, the Group is exceptionally well positioned for major production growth from 2010 onwards.



Aidan Heavey, Chief Executive Officer

“2008 was our best year ever, when unprecedented success with the drill bit matched significant progress towards the development of two major new oil provinces.”

Record results and solid production

Tullow has delivered record results for 2008 driven by a strong operational performance, higher oil and gas pricing, and profitable portfolio management offset by exploration write-offs and impairments. Whilst production decreased as anticipated by 9% to 66,600 boepd, average price realisations increased by 17% for oil and by 40% for gas. Basic earnings increased by 335% to 30.9 pence per share.

Our best exploration year ever

In Ghana, exceptional drilling results led to a large extension of the Jubilee field and the opening of new deepwater plays. In Uganda, we have exceeded the commercial threshold for development through a series of world-class discoveries, with more to come in this region from a strong portfolio of high quality drilling prospects.

Major resource potential

Exceptional exploration and appraisal success with 17 discoveries from 22 wells led to a 274 million barrel increase in our reserves and resources. This resulted in a revised total of 825 million barrels of reserves and resources at year end.

Our reserves replacement ratio was 582%, averaging over 200% per annum for the last three years. Through our exploration and appraisal strategy we are realising the true potential of our portfolio and as we continue to execute successful drilling campaigns, we expect to further enhance and replenish our reserves and resources base. The Jubilee field has resource potential of up to 1.8 billion barrels of oil. This, together with the rest of the Group's Ghanaian acreage offers substantial upside, including the recently announced Tweneboa discovery, which adds further resource potential of up to 1.4 billion barrels of oil equivalent.

On track for Jubilee first oil in 2010

Phase 1 of the Jubilee field development in Ghana is on track for first oil in 2010, just three years after the initial discovery well in 2007. Tullow, as unit operator, has selected all major contractors and development drilling and facilities construction are under way. The Jubilee partners have all sanctioned Phase 1 development and final government approval is pending resolution of the gas development plan. We have built a strong operating team in-country and will continue to strengthen this in 2009 to support the

installation and production phases of the development. Establishing a deepwater operating capability is critical to the success of this project and is also a key competency required to pursue similar opportunities essential to deliver continued long-term growth for Tullow.

We are very clear about the large responsibility we have to ensure that the new offshore industry in Ghana is managed in a sustainable and safe manner, minimising its environmental impact and ensuring that we are good neighbours to the local community.

Commercial threshold exceeded in Uganda

Investment in two substantial drilling campaigns in Uganda has resulted in material discoveries including the world-class Buffalo-Giraffe and Kingfisher fields, which have discovered gross resources of approximately 600 million barrels of oil. A dedicated team will now define the optimal method to commercialise these resources.

High-grading our exploration portfolio

Elsewhere in Côte d'Ivoire, Mauritania, the Netherlands, Portugal and South America, we continue to high-grade our exploration portfolio by pursuing the most prospective plays as we prepare for high-impact drilling in 2010.

Difficult economic climate

The current economic climate is presenting many challenges across all sectors and within our industry. We are working in an unprecedented credit environment and with volatile and unpredictable commodity prices. Therefore, we have to maintain a fine balance between our short-term priorities and continuing to invest for long-term future growth, whilst remaining in a position to take advantage of the inevitable opportunities the current market will present.

Stringent capital allocation

During the year, we undertook a strict capital allocation process and identified activities that we could delay in order to focus resources on our key projects in Ghana and Uganda. Therefore, we have been particularly stringent in the allocation of capital, to ensure that we remain financially strong through these turbulent times for the global economy and financial markets.

As a consequence, we made a positive decision to delay some activities into later years. This means that we will not fully offset the natural decline in some of our UK and African fields and the expected production outcome for 2009 is 60,000 boepd. It is however important to recognise that a key criterion in deciding which activities could be deferred is to make sure we do not destroy any asset value by delaying infill or development activities.

Planned asset management

Planned and opportunistic asset management is a subset of effective capital management and we continue to fundamentally review our assets and actively manage our portfolio. In 2008, we made a profit after tax of £244 million, primarily from the sale of Tullow's

Tullow's key success factors

We believe we have developed a unique set of characteristics and competencies that will help us deliver the next phase of growth for Tullow.



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Excellent execution page 24



Right skills page 28



Proven expertise page 36

interest in the mature offshore Hewett fields and related infrastructure, including the onshore Bacton terminal.

Financial strength

The Tullow Management and Board are fully committed to our vision of being the leading independent exploration and production company and building our portfolio of assets for the longer term. Our balance sheet is strong and well funded. We secured a US\$2 billion (£1.4 billion) bank facility in March 2009 following a successful share placing in January 2009 which raised gross proceeds of £402 million and increased Tullow's existing share capital by 9.1%. The ability to achieve our funding requirements reflects strong banking and investor confidence in our business, particularly in the context of the current economic climate.

Key focus for 2009

For 2009, the Group is focused on progressing Phase 1 of the Jubilee project in Ghana, fast-tracking the commercialisation of Ugandan reserves and executing selective high-impact exploration and appraisal campaigns. The Group is in a very strong position, from an operational and financial perspective, to deliver these exciting and transformational projects as we move into our next phase of growth.

Aidan Heavey, Chief Executive Officer