

**INDEPENDENT AUDITOR'S REPORT**

to the members of Tullow Oil plc

We have audited the Group financial statements of Tullow Oil plc for the year ended 31 December 2012 which comprise the Group income statement, the Group statement of comprehensive income and expense, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement, the accounting policies and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in the accounting policies to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

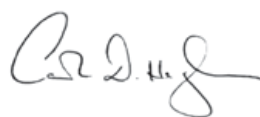
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement contained within the Directors' report in relation to going concern;
- The part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

**Other matter**

We have reported separately on the parent company financial statements of Tullow Oil plc for the year ended 31 December 2012 and on the information in the Directors' remuneration report that is described as having been audited.



**Carl D Hughes** (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, UK

12 February 2013

## GROUP INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 \$m	2011 \$m
Continuing activities			
<b>Sales revenue</b>	2	<b>2,344.1</b>	2,304.2
Cost of sales		<b>(999.3)</b>	(930.8)
<b>Gross profit</b>		<b>1,344.8</b>	1,373.4
Administrative expenses		<b>(191.2)</b>	(122.8)
Profit on disposal	9	<b>702.5</b>	2.0
Exploration costs written off	10	<b>(670.9)</b>	(120.6)
<b>Operating profit</b>	3	<b>1,185.2</b>	1,132.0
(Loss)/gain on hedging instruments	20	<b>(19.9)</b>	27.2
Finance revenue	2	<b>9.6</b>	36.6
Finance costs	5	<b>(59.0)</b>	(122.9)
<b>Profit from continuing activities before tax</b>		<b>1,115.9</b>	1,072.9
Income tax expense	6	<b>(449.7)</b>	(383.9)
<b>Profit for the year from continuing activities</b>		<b>666.2</b>	689.0
Attributable to:			
Owners of the parent		<b>624.3</b>	649.0
Non-controlling interest	25	<b>41.9</b>	40.0
		<b>666.2</b>	689.0
<b>Earnings per ordinary share from continuing activities</b>	8	<b>¢</b>	¢
Basic		<b>68.8</b>	72.5
Diluted		<b>68.4</b>	72.0

## GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

Year ended 31 December 2012

	Notes	2012 \$m	2011 \$m
<b>Profit for the year</b>		<b>666.2</b>	689.0
Cash flow hedges			
Losses arising in the year	20	<b>(3.3)</b>	(6.7)
Reclassification adjustments for items included in profit on realisation	20	<b>11.0</b>	15.2
		<b>7.7</b>	8.5
Exchange differences on translation of foreign operations		<b>7.7</b>	(34.5)
<b>Other comprehensive income/(expense)</b>		<b>15.4</b>	(26.0)
Tax relating to components of other comprehensive income	20	<b>0.1</b>	2.9
<b>Other comprehensive income/(expense) for the year</b>		<b>15.5</b>	(23.1)
<b>Total comprehensive income for the year</b>		<b>681.7</b>	665.9
Attributable to:			
Owners of the parent		<b>639.8</b>	625.9
Non-controlling interest		<b>41.9</b>	40.0
		<b>681.7</b>	665.9

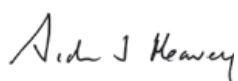
# GROUP BALANCE SHEET

As at 31 December 2012

	Notes	2012 \$m	*Restated 2011 \$m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible exploration and evaluation assets	10	2,977.1	5,529.7
Property, plant and equipment	11	4,407.9	3,580.3
Investments	12	1.0	1.0
Other non-current assets	15	696.7	313.5
Deferred tax assets	22	4.9	39.0
		<b>8,087.6</b>	9,463.5
<b>Current assets</b>			
Inventories	13	163.7	225.7
Trade receivables	14	238.7	272.4
Other current assets	15	416.6	360.2
Current tax assets		28.6	7.0
Cash and cash equivalents	16	330.2	307.1
Assets classified as held for sale	17	116.4	–
		<b>1,294.2</b>	1,172.4
<b>Total assets</b>		<b>9,381.8</b>	10,635.9
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	(848.1)	(1,119.6)
Other financial liabilities	19	–	(217.8)
Current tax liabilities		(292.4)	(153.8)
Derivative financial instruments	20	(39.4)	(42.4)
Liabilities directly associated with assets classified as held for sale	17	(48.9)	–
		<b>(1,228.8)</b>	(1,533.6)
<b>Non-current liabilities</b>			
Trade and other payables	18	(30.6)	(2.4)
Other financial liabilities	19	(1,173.6)	(2,858.1)
Deferred tax liabilities	22	(1,076.3)	(1,030.8)
Provisions	22	(531.6)	(440.8)
Derivative financial instruments	20	(19.3)	(4.2)
		<b>(2,831.4)</b>	(4,336.3)
<b>Total liabilities</b>		<b>(4,060.2)</b>	(5,869.9)
<b>Net assets</b>		<b>5,321.6</b>	4,766.0
<b>EQUITY</b>			
Called up share capital	23	146.6	146.2
Share premium	23	584.8	551.8
Other reserves	24	566.6	551.1
Retained earnings		3,931.2	3,441.3
<b>Equity attributable to equity holders of the parent</b>		<b>5,229.2</b>	4,690.4
Non-controlling interest	25	92.4	75.6
<b>Total equity</b>		<b>5,321.6</b>	4,766.0

\* Certain numbers shown above do not correspond to the 2011 financial statements as a result of a retrospective restatement as set out in note 33.

Approved by the Board and authorised for issue on 12 February 2013.



**Aidan Heavey**  
Chief Executive Officer



**Ian Springett**  
Chief Financial Officer

## GROUP STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Share capital \$m	Share premium \$m	Other reserves (note 24) \$m	Retained earnings \$m	Total \$m	Non-controlling interest \$m	Total equity \$m
At 1 January 2011	143.5	251.5	574.2	2,873.6	3,842.8	60.6	3,903.4
Total recognised income and expense for the year	-	-	(23.1)	649.0	625.9	40.0	665.9
Issue of equity shares (note 23)	2.2	285.5	-	-	287.7	-	287.7
New shares issued in respect of employee share options	0.5	14.8	-	-	15.3	-	15.3
Vesting of PSP shares	-	-	-	(0.1)	(0.1)	-	(0.1)
Share-based payment charges	-	-	-	33.0	33.0	-	33.0
Dividends paid (note 7)	-	-	-	(114.2)	(114.2)	-	(114.2)
Distribution to minority shareholders (note 25)	-	-	-	-	-	(25.0)	(25.0)
At 1 January 2012	<b>146.2</b>	<b>551.8</b>	<b>551.1</b>	<b>3,441.3</b>	<b>4,690.4</b>	<b>75.6</b>	<b>4,766.0</b>
Total recognised income and expense for the year	-	-	15.5	624.3	639.8	41.9	681.7
Issue of equity shares (note 23)	-	4.9	-	-	4.9	-	4.9
New shares issued in respect of employee share options	0.4	28.1	-	-	28.5	-	28.5
Vesting of PSP shares	-	-	-	(9.1)	(9.1)	-	(9.1)
Share-based payment charges	-	-	-	47.9	47.9	-	47.9
Dividends paid (note 7)	-	-	-	(173.2)	(173.2)	-	(173.2)
Distribution to minority shareholders (note 25)	-	-	-	-	-	(25.1)	(25.1)
<b>At 31 December 2012</b>	<b>146.6</b>	<b>584.8</b>	<b>566.6</b>	<b>3,931.2</b>	<b>5,229.2</b>	<b>92.4</b>	<b>5,321.6</b>

## GROUP CASH FLOW STATEMENT

Year ended 31 December 2012

	Notes	2012 \$m	2011 \$m
<b>Cash flows from operating activities</b>			
Profit before taxation		1,115.9	1,072.9
Adjustments for:			
Depletion, depreciation and amortisation		561.9	533.8
Impairment loss		31.3	51.0
Impairment reversal		–	(17.4)
Exploration costs written off		670.9	120.6
Profit on disposal		(702.5)	(2.0)
Decommissioning expenditure		(2.4)	(14.2)
Share-based payment charge		32.6	28.5
Loss/(gain) on hedging instruments		19.9	(27.2)
Finance revenue		(9.6)	(36.6)
Finance costs		59.0	122.9
Operating cash flow before working capital movements		1,777.0	1,832.3
Increase in trade and other receivables		(11.3)	(91.9)
Decrease/(increase) in inventories		11.3	(43.8)
Increase in trade payables		7.5	206.5
Cash generated from operations		1,784.5	1,903.1
Income taxes paid		(264.1)	(171.8)
Net cash from operating activities		1,520.4	1,731.3
<b>Cash flows from investing activities</b>			
Disposal of exploration and evaluation assets		2,568.2	–
Disposal of oil and gas assets		0.3	–
Disposal of other assets		1.3	2.4
Purchase of subsidiaries		–	(404.0)
Purchase of intangible exploration and evaluation assets		(1,196.6)	(1,018.4)
Purchase of property, plant and equipment		(652.8)	(635.1)
Finance revenue		1.3	13.6
Net cash generated/(used) in investing activities		721.7	(2,041.5)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of share capital		24.5	86.7
Debt arrangement fees		(77.2)	(30.0)
Repayment of bank loans		(2,407.5)	(320.0)
Drawdown of bank loan		565.0	1,200.0
Repayment of obligations under finance leases		(1.8)	(308.4)
Finance costs		(103.2)	(210.2)
Dividends paid	7	(173.2)	(114.2)
Distribution to minority shareholders	25	(25.1)	(25.0)
Net cash (used)/generated by financing activities		(2,198.5)	278.9
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>43.6</b>	<b>(31.3)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>307.1</b>	<b>338.3</b>
Cash transferred to held for sale	17	(18.0)	–
Foreign exchange (loss)/gain		(2.5)	0.1
<b>Cash and cash equivalents at end of year</b>	16	<b>330.2</b>	<b>307.1</b>