2010 Highlights

We made progress in transitioning Talisman's portfolio to establish safe, profitable growth.

- Cash flow [1] was $3.1 billion, down 23% from 2009, due to higher cash taxes in 2010 and lower cash proceeds from financial instruments.
- Net income was $648 million, a 48% increase from the previous year, due to higher commodity prices, improved operating performance and non-cash gains on derivatives.
- Earnings from continuing operations [1] were $347 million versus $631 million a year ago. Stronger operating performance was more than offset by higher cash taxes and the effect of cash proceeds from financial instruments in the previous year.
- Talisman maintained capital discipline, reducing capital spending by 6% during 2010, to $4 billion.
- Production averaged 417,000 boe/d, significantly above initial guidance. Excluding asset sales, year-on-year production increased 7%, with fourth quarter volumes 10% higher than 2009.
- Talisman replaced 164% of production with proved reserves, excluding price revisions, achieving a 35% reduction in replacement costs compared to 2009 and a 63% reduction over the past two years. Proved developed producing replacement costs were 54% lower than 2009.
- Talisman sold over $2 billion of non-core assets in 2010, predominantly North American natural gas properties.
- Talisman entered into a strategic partnership with Sasol Limited, selling them a 50% interest in the company's Farrell Creek shale play in British Columbia.
- The company acquired assets in two liquids areas, establishing a material position in the heart of the liquids rich window in the Eagle Ford shale play in Texas; and also acquired producing assets with significant upside in Colombia.
- Talisman made a number of exploration discoveries in Latin America, including an oil discovery and several successful stratigraphic tests in Colombia.

1 Non-GAAP measure. See advisories on page 135.