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CAIRN ENERGY PLC ("Cairn" or "Company" or "Group")

Half-Year Report Announcement

Simon Thomson, Chief Executive, Cairn Energy PLC said:

"Cairn continues to deliver strong progress across the business.

In the North Sea, Kraken has commenced production and Catcher is scheduled for first oil later this year. In Senegal, planning work has commenced on the phased development of the world class SNE field.

Cairn has also added to its exploration portfolio with exciting new opportunities in Norway, Ireland and Mexico creating additional drilling prospects in the near term.

With a strong balance sheet and imminent cashflows, Cairn remains well funded to create and capture value for our shareholders."

Senegal

- Joint Venture (JV) planning underway for phased development of SNE field, Cairn targeting production rates of 75,000-125,000 barrels of oil per day (bopd) with first oil planned 2021-2023
- Updated overall SNE 2C oil resource base of ~563 million barrels of oil (mmbbls)*, with additional recoverable gas resources of more than 1 trillion cubic feet (TcF)
- Cairn estimates up to 25 wells planned in initial development phase, targeting ~240 mmbbls principally in S500 lower reservoir
- Subsequent development phases to target resource base in S400 upper reservoir
- Engagement with major FPSO and subsea contractors commenced prior to formal tendering process later this year
- Targeting Evaluation Report and Exploitation Plan submission to Government of Senegal in 2018 for Final Investment Decision (FID) before end of 2018
- Evaluation of potential further exploration opportunities underway, including in the shallower water Rufisque block

**ERC Equipoise Limited (ERCE) estimate*

Exploration new ventures

- New licences acquired in three countries: Norway, Ireland and Mexico in 2017, with drilling expected in 2018-2020

Finance

- US$254 million (m) Group cash at 30 June 2017
- Norwegian tax receivable of US$29m in H2 2017
- Reserves Based Lending (RBL) bank facility remains undrawn with expected peak availability of US$350-400m and ~US$210m at year end 2017
- FlowStream US$75m cash proceeds received in H1 2017
- Remaining 2017 capex for Catcher and Kraken development projects of US$35m and US$75m
- Exploration and appraisal (E&A) expenditure across the portfolio of US$150m in H2 2017
- Following merger of Cairn India Limited (CIL) and Vedanta Limited (VL), Cairn holds ~5% of VL, valued at US$824m at 30 June 2017
- Cairn remains unable to access its ~5% shareholding of VL pending resolution of the Indian tax dispute and dividends receivable of US$105m are fully impaired following an order directing payment from VL to the Indian Income Tax Department (IITD)

Developments

- Kraken (Cairn 29.5% working interest (WI)) production commenced as anticipated in Q2 2017 with facilities commissioning and production ramp up underway. Plateau production 50,000 bopd in 2018 with ~15,000 bopd net to Cairn
- Catcher (Cairn 20% WI) targeting first oil by year end 2017** with FPSO well advanced in Singapore. Plateau production 50,000 bopd with ~10,000 bopd net to Cairn
- Skarfjell (Cairn 20% WI) concept selection for field development, targeting FID in H1 2018. Expected plateau production 50,000 bopd with ~10,000 bopd net to Cairn

*** Operator estimate*

Enquiries to:

Analysts / Investors
David Nisbet, Corporate Affairs **Tel: 0131 475 3000**

Media
Linda Bain, Corporate Affairs **Tel: 0131 475 3000**
Cairn Energy PLC

Patrick Handley, David Litterick **Tel: 0207 404 5959**
Brunswick Group LLP

Webcast

There will be a live audio webcast of the results presentation available to view on the website (www.cairnenergy.com) at 9am BST. This can be viewed on PC, Mac, iPad, iPhone and Android mobile devices.

An 'on demand' version of the webcast will be available on the website as soon as possible after the event. This can be viewed on PC, Mac, iPad, iPhone and Android mobile devices.

Presentation

The results presentation slides will be available on the website from 7am BST.

Conference all

You can listen to the results presentation by dialling in to a listen only conference call at 9am BST using the below dial-in details.

Dial-in Details:

United Kingdom (Local):	020 3059 8125
All other locations:	+44 20 3059 8125

A recording of the conference call will be available from 22 August 2017 until 29 August 2017.

Recording Dial-in Details:

United Kingdom:	0121 260 4861
United States:	1 844 2308 058
All other locations:	+44 121 260 4861
Passcode:	6576858#

Transcript

A transcript of the presentation will be available on the website as soon as possible after the event.

Corporate & Finance Overview

Cairn's strategy is to deliver sustainable value growth for shareholders from a balanced portfolio of exploration, development and production assets. Our exploration portfolio is primarily in frontier and emerging basins which offer the greatest value potential, funded from producing assets and balance sheet strength. In the first half of 2017, we have made excellent progress on our strategic objectives and are well-positioned to deliver continued success. We have created a strong platform for future growth with active positions in various geographies providing significant acreage of both technical and commercial value.

Cairn has financial flexibility with a strong balance sheet, available debt funding and cash flow coming on stream from North Sea developments. Our sustainable business model provides the flexibility to leverage success, and we continue to optimise and where appropriate expand the asset base.

Current sources of funding include cash of US$254m at mid year, a Norwegian tax receivable of US$29m and the RBL bank facility with US$210m expected to be available this year. Near term uses of capital include US$110m of expected capital expenditure on the Kraken and Catcher developments in the UK to the end 2017. Kraken is now in production and Catcher is scheduled to be on stream and cashflow generative around year end. Expected exploration and appraisal expenditure in H2 2017 is US$150m across the portfolio.

Operational Review

Senegal

Eleven wells have been drilled in three years in Senegal. Following two basin opening discoveries, SNE-1 and FAN-1, in 2014 and approval of an extensive appraisal plan by the Government of Senegal in 2015, Cairn and its JV partners successfully completed a further four exploration and appraisal wells ahead of schedule and under budget in 2016. The third phase of drilling commenced in 2017 with a programme of five wells now complete.

Having established a significant and growing resource base, the objective of the appraisal and exploration programme this year was to further define the SNE field for development and target additional exploration upside on the acreage.

The programme has substantially improved Cairn's understanding of the areal extent of the SNE field, which covers ~350km^2, confirming two distinct horizons with a stacked series of S400 upper reservoirs overlying S500 lower reservoirs. This well data provides key connectivity and deliverability information from the reservoirs and enables calibration of the reservoir model, critical for optimising recovery factors by ensuring development wells are designed appropriately in number, placement and orientation.

The 2017 drilling campaign consisted of the following sequence of wells:

- SNE-5 targeted a location in the upper reservoirs where two principal units are located within the oil leg. The main reservoir units, pressure data and fluid contacts matched previous SNE wells and multiple samples of oil and gas were recovered during wireline logging and drill stem tests with analysis indicating oil of similar quality.
- VR-1 encountered some of the best quality reservoirs found to date some 5km from the SNE-1 discovery. The well established that the targeted lower reservoirs are within the oil column, confirming reservoir presence, fluid contacts and fluid quality in line with previous results. Analysis indicates the quality of the lower reservoir section is better and slightly thicker than anticipated. Results confirm the predictability of the mapped reservoir over a wide area giving confidence in the reservoir engineering models.
- SNE-6, together with the successful SNE-5 well, was intended to flow oil from one of the principal units in the upper reservoirs and demonstrate connectivity between the two wells. Pressure data confirmed good connectivity and multiple samples of oil taken indicated oil of a similar quality to previous wells.
- FAN South-1 encountered hydrocarbon bearing reservoir and oil samples were obtained with preliminary analysis indicating 31° API oil quality. Further work is underway to integrate the discovery with FAN-1 to establish the potential commerciality of the deep water, basinal resource seen in the two wells.
- SNE North-1 encountered oil and gas in the primary objective and oil in the deeper secondary objective, in a separate accumulation to the SNE field. A full set of oil, water and gas samples were recovered with preliminary analysis indicating a slightly lighter oil type of 35° API. Further work is being undertaken to establish the potential commerciality of the discovery and to integrate results with block wide data gathered to date.

Information from all three phases of drilling and additional seismic work is being integrated to build and refine the understanding of the full hydrocarbon potential of the area. The updated independent third party estimate of gross recoverable contingent resource for SNE is 1C 346 mmbbls, 2C 563 mmbbls and 3C 998 mmbbls.

The JV has endorsed the foundation development concept of a standalone FPSO with subsea wells and expansion capability. Detailed planning is now underway for a phased development of the SNE field.

Cairn estimates that the first phase of the SNE development will target ~240mmbbls principally in the S500 lower reservoirs with an initial target plateau of 75,000-125,000 bopd (dependent on FPSO capacity). The initial well count is up to 25 with oil producers, water and gas injectors. First oil is targeted from 2021 to 2023.

The subsequent development phases will target the S400 upper reservoirs and additional areas, with current Cairn estimates of an additional well count of 40 wells, with 20 producers and 20 water injectors.

The current SNE development plans assume gas re-injection during initial development with the potential for gas export in later phases. It is estimated that the SNE field holds more than 1 TcF recoverable non associated gas and 0.3 TcF of associated gas.

The concept selection and engagement with major contractors has commenced prior to formal tendering for the FPSO and subsea infrastructure later this year.

The transfer of operatorship to Woodside for the development phase is planned to take place next year with Cairn continuing exploration activities on the acreage. The JV plan to submit an evaluation report and exploitation plan to the Government of Senegal in 2018. The Front End Engineering and Design (FEED) is also planned to commence next year with a FID targeted before the end of 2018.

Alongside development planning, the JV continues to focus on the exploration potential around the SNE discovery where significant untested prospectivity remains with prolific oil prone source rock, excellent reservoir development and a good working seal. On the Rufisque and Sangomar offshore blocks, the JV is maturing multiple prospects on newly processed 3D seismic data with a view to potential further exploration drilling, which in a success case could potentially support a standalone development.

Cairn (Operator) has a 40% WI in three blocks offshore Senegal (Sangomar Deep, Sangomar Offshore and Rusique Offshore) alongside partners, Woodside 35% WI, FAR Ltd 15% WI and the Senegal National Oil Company, Petrosen 10% WI.

International

Cairn's exploration focus is on the Atlantic Margin where, in addition to Senegal, the Company has extensive acreage offering the potential for material discoveries and high prospectivity.

Cairn was delighted to secure interests in two licences in the Mexico offshore bid round in H1 2017. The licences (one operated and one non-operated) cover an area of ~1,200km^2 located in the shallow water Gulf of Mexico, directly analogous to recent world class discoveries. Multiple attractive prospects in a variety of play types have been identified within this highly prolific, proven hydrocarbon province which has recently opened to international oil companies and is significantly underexplored relative to the US Gulf of Mexico. Cairn anticipates exploration drilling to commence in 2019-2020 with four wells across the two blocks.

Cairn also has a growing acreage position offshore Ireland. The play opening Druid/Drombeg well is underway which is a high impact, dual target, frontier exploration well operated by Providence Resources (Cairn 30% WI). The well penetrated the Paleocene Druid prospect within the pre-drill depth prognosis. Preliminary petrophysical analysis of 'Logging While Drilling' data indicates that the Druid prospect comprised porous water-bearing reservoir. Operations are now proceeding to assess the deeper Lower Cretaceous Drombeg exploration prospect target, situated ~1,000m beneath Druid.

Additionally in Ireland, Cairn farmed into LO 16/19 with 70% WI and Operatorship, partnering with Europa Oil & Gas. Cairn was previously awarded the adjacent LO 16/18 in the 2016 Atlantic Licensing Round. A 3D seismic survey is ongoing over both licence option blocks and will be processed in 2018. Cairn has also acquired a 20% WI option on the FEL 2/14 Avalon licence in the Southern Porcupine Basin.

In Western Sahara, we commenced the acquisition of 3D seismic with Operator, Kosmos Energy, following a new Petroleum Agreement in 2016.

Developments

In the UK and Norway we have made significant progress in our high quality development assets in the year to date. The Kraken and Catcher developments are two of the largest development projects in the UK North Sea. The Skarfjell discovery in Norway is scheduled for JV FID in H1 2018. These three projects are a key part of Cairn's strategy to build steady future cash flows to sustain our ongoing investment strategy.

Cairn production from the North Sea commenced in Q2 2017 with first oil from the Kraken field. Production facilities commissioning and production ramp up is underway with plateau production in 2018 expected to be 50,000 bopd, ~15,000 bopd net to Cairn. Seventeen wells have been drilled and completed to date (nine producers and eight injectors). Production capacity is being brought online in a phased manner in order to maximise long term productivity and value. The Operator, EnQuest, estimates that capex savings of 22% have been achieved on the project compared to the sanction estimate.

Cairn's production base will increase when the Catcher development is on stream with first oil scheduled by the Operator, Premier Oil, by year end 2017. The FPSO is well advanced in the Keppel yard in Singapore with sail away to the North Sea targeted for later this month. Catcher is anticipated to deliver plateau production of 50,000 bopd with ~10,000 bopd net to Cairn. Twelve wells (eight producers and four injectors) have been drilled to date with reservoir quality in line with or better than prognosis. The operator estimates that capex savings of 29% have been achieved on the project compared to the sanction estimate.

In the Norwegian Sea, the Skarfjell development has production potential of 50,000 bopd with ~10,000 bopd net to Cairn. The JV has selected a field development concept as a subsea tie back to the nearby Gjøa platform and the FEED has commenced. Skarfjell is a light oil development which also offers significant adjacent acreage opportunities with tie back opportunities.

UK and Norway Exploration

Cairn has built a strong position in the UK and Norway by acquiring exploration, appraisal and development assets and participating in licencing rounds. The strategy is to maintain and grow a strong prospect inventory capable of increasing resources and reserves, providing material exploration upside and bringing discoveries into production. Plans are underway for a potential drilling campaign of up to ten wells (two as Operator), subject to partner approval, in 2017-2019 targeting over one billion barrels gross unrisked potential resource across a variety of plays in the UK and Norway, including in the Barents Sea.

India

Following the merger of CIL and VL, Cairn holds ~5% of VL, valued at US$824m at 30 June 2017. Cairn remains unable to access its ~5% shareholding of VL pending the outcome of the Indian tax dispute and dividends receivable of US$105m are fully impaired following an order directing payment from VL to the IITD.

Financial Review

Overview

First oil production commenced from the Kraken field in late June, with Catcher production scheduled to be on stream by the end of 2017. The Group's funding position was enhanced during the first half of 2017 with the completion of a NOK 500 million (~US$60m) Exploration Finance Facility (EFF) which allows the Company to borrow against Norwegian tax refunds on exploration expenditure, and US$75m proceeds from a stream agreement with FlowStream Commodities in exchange for an initial 4.5% share of production from Kraken (stepping down to a 1.35% share once FlowStream achieves a 10% return).

Cairn successfully completed three exploration and appraisal wells in the first six months of 2017 in Senegal, with a further two wells completed in July and August. Exceptional operational performance has resulted in all wells being drilled under budget.

Cash

	US$m
Opening cash and cash equivalents at 1 January 2017	335
Pre-award costs	(17)
Exploration expenditure	(69)
Development expenditure	(71)
Administration expenses and finance costs	(23)
Proceeds from stream agreement	75
Proceeds from borrowings under EFF	22
Foreign exchange movements	2
Closing cash and cash equivalents at 30 June 2017	**254**

Cairn had cash and cash equivalents of US$254m at 30 June 2017, representing a net cash outflow of US$81m over the six month period.

Exploration expenditure in the period included Senegal exploration costs of US$50m as Cairn completed the SNE-5 and SNE-6 appraisal wells and the V-R 1 exploration and appraisal well with the FAN South-1 exploration well completing in July. The final well in the current programme, the SNE North-1 exploration well completed in August.

In Ireland, the dual prospect exploration well targeting the Druid and Drombeg prospects commenced in July. The Druid prospect reached target in August failing to discover commercial hydrocarbons, drilling continues towards the Drombeg prospect. Exploration costs include US$7m in respect of this well.

Development expenditure in the period related to costs of the Kraken and Catcher developments. The remaining Catcher development carry in Cairn's favour resulting from the farm-down to Dyas in 2015 was fully used by January 2017.

Forecast development expenditure for the second half of 2017, taking the UK development projects through to cashflow generation, is US$110m; and remaining currently committed drilling exploration and appraisal expenditure for the second half of 2017 is estimated at US$150m, predominantly in Senegal.

Cairn remains fully funded to meet all existing commitments at the Balance Sheet date.

US$22m of loans were drawn under the Group's EFF in Norway. The facility allows the Group to draw against tax refunds receivable on qualifying exploration and operating costs incurred in Norway. Cairn's RBL bank facility remains undrawn, with peak debt availability forecast to be in the range of US$350m to US$400m, and availability by year end 2017 expected to reach ~US$210m.

The Group received US$75m less costs from FlowStream under the initial stream agreement concluded in March. FlowStream is entitled to a share of 4.5% of Kraken production, which reduces to 1.35% after FlowStream achieve a 10% return and would further reduce to 0.675% if FlowStream achieved a 15% return. FlowStream's sole recourse for the payment under the stream agreement is to its production rights from Kraken.

Oil and Gas Assets

	US$m
Opening oil and gas assets at 1 January 2017	1,206
Exploration and appraisal additions	
Senegal	77
UK and Norway	10
International	12
Development additions	
UK and Norway	88
UK and Norway leased assets (Kraken FPSO)	201
Unsuccessful exploration costs – UK and Norway/International	(15)
Foreign exchange movements	52
Closing oil and gas assets at 30 June 2017	**1,631**

Exploration and Appraisal Assets

Senegal

Additions in the period include the SNE-5 and SNE-6 appraisal wells, the VR-1 exploration and appraisal well and FAN South-1 exploration well.

UK and Norway

Additions were spread across the Group's portfolio of licences, focussing on future exploration targets. A potential of up to ten exploration wells are planned in 2018-2019.

International

The Group's international additions included the farm-in to FEL 2/14 in Ireland containing the Druid and Drombeg prospects.

Unsuccessful exploration

Unsuccessful exploration write offs include US$6m following the Group's exit from Malta, planned relinquishments in the UK and Norway and the write-down of inventory.

Oil and Gas Assets – Development/Producing Assets

Development additions in the period totalled US$88m; US$52m on Kraken where first oil production commenced in June 2017 with the remaining US$36m on Catcher.

First oil production in Kraken led to the commencement of the lease for the FPSO, with associated additions of US$201m, equal to the present value of minimum lease commitments recognised as a liability at the same point.

The Group's development assets are tested for impairment at the year-end or where there are indicators that impairment may exist. No new indicators of impairment have been identified since the December 2016 year-end and therefore no formal impairment test was conducted at June 2017.

Foreign exchange movements

The Group's development assets are held in a GBP functional subsidiary, which is translated to US$ on consolidation. The first six months of 2017 have seen a modest recovery in GBP against the US$ after last year's falls following the EU referendum result, leading to exchange gains of US$52m over the period.

Available for Sale Financial Assets – Investment in Cairn India/Vedanta Limited and related Dividend income

The merger of CIL with VL completed in April 2017. Under the terms of the merger, Cairn received ordinary shares and preference shares in VL in exchange for the Group's residual ~10% shareholding in CIL. As a result Cairn now has a shareholding of ~5% in VL, valued at US$824m at 30 June. Cairn remains unable to access the value of this investment pending the outcome of its ongoing Indian tax dispute.

The merger of CIL with VL led to an accounting loss of US$33m on the difference in market value of the Group's holding in CIL and VL immediately before and after the merger respectively. The derecognition of the CIL shares led to a recycling of the surplus on valuation of the CIL shares held in equity of US$436m. Net of the merger accounting loss, this results in a net gain of US$403m presented in the Income Statement.

Prior to the merger, CIL declared a final dividend of US$52m, bringing total amounts of dividends due to the Company from CIL to US$105m. Subsequent to the merger, the IITD seized this dividend income due to Cairn in partial settlement of the tax demand issued in relation to the retrospective tax dispute. Cairn has therefore fully provided against the US$105m, pending conclusion of the dispute.

Cairn is seeking restitution under the UK India Bilateral Investment Treaty for losses resulting from the attachment of its shares in VL and failure to treat the Company and its investments fairly and equitably. Tribunal proceedings are well progressed and Cairn has a high level of confidence in its case. In addition to resolution of the retrospective tax dispute, Cairn's request for relief to the arbitration panel is seeking damages equal to the value of Group's residual shareholding in VL at the time it was attached (approximately US$1 billion).

A tax refund in respect of financial year 2011-12 in the amount of INR 15.9bn (~US$249m) which became due to Cairn as a consequence of a successful appeal by the Group has also been directed to the IITD to be set against the deemed 2006-7 liability and Cairn's claims under the international arbitration have been adjusted to include this.

Results for the period

	Period ended 30 June 2017 US$m	Period ended 30 June 2016 US$m	Year ended 31 December 2016 US$m
Revenue	11	-	-
Pre-award and production costs	(35)	(6)	(18)
Unsuccessful exploration costs	(15)	(34)	(70)
Administrative expenses and other income/costs	(14)	(16)	(35)
Related tax credit	25	3	13
Operational and administrative expenses	(28)	(53)	(110)
Net finance costs, excl. dividends	16	(1)	(11)
Net gain on derecognition of financial asset	403	-	-
Dividends receivable	52	-	8
Provision against dividends receivable	(105)	-	-
Related tax charge	(28)	-	-
Cairn India/Vedanta investment and dividends	322	-	8
Impairment of oil and gas assets	-	-	(25)
Asset related tax credit	4	16	43
Oil and gas asset impairment and tax credits	4	16	18
Profit/(loss) for the period	**314**	(38)	(95)

Revenue

Revenue receivable relates to royalties due from Petrochina on producing fields in Mongolia. Following successful international arbitration proceedings Cairn was able to demonstrate title to the royalties and the basis of calculation for the amounts due. Amounts due to Cairn for the period to September 2016 were received in July 2017. No revenue was recognised in the period relating to production from Kraken.

Pre-award costs

Costs in the six months to 30 June 2017 include US$17m following new opportunities in the Barents Sea and US$10m of other opportunities in the UK & Norway region. US$7m of spend on new opportunities in the International portfolio included work on the Mexico bid round that resulted in the award of two blocks to Cairn.

Unsuccessful exploration costs

Unsuccessful exploration costs include the relinquishment of licences in Malta and the write down of inventory.

Administration costs

The reduction in Group administration costs on a year-on-year basis over the first six months of the year is a result of prior year costs incurred in relation to the ongoing arbitration.

Cairn India/Vedanta Limited investment and dividends

As described above, the merger of CIL and VL created a net gain on derecognition of CIL investments of US$403m. The seizure of dividend monies due to Cairn, including US$52m in the current period, resulted in a provision of US$105m.

Taxation

As the Group's activity continued to focus on assets in the exploration, appraisal and development phases, the Group generated no production income and as such no corporation tax was payable in the period. At 30 June 2017, Cairn had total UK ring fence losses of US$799m. US$616m of losses are recognised as deferred tax assets (at the applicable UK tax rate of 40%) to fully offset deferred tax liabilities of US$246m. The remaining US$183m of losses represent an unrecognised deferred tax asset of US$73m.

A cash tax refund is receivable in Norway in respect of 78% of qualifying exploration and overhead spend. US$27m of tax credits are recorded for amounts receivable relating to the current period. Norwegian deferred tax liabilities at 30 June of US$2m reflect timing differences on the carrying value of exploration assets where a tax refund has been claimed.

Increases in the share price of CIL and subsequently VL have led to the recognition of a deferred tax liability reflecting the increase in value over-and-above the tax base costs. A deferred tax liability of US$43m has been provided in the period. US$35m was recycled from other comprehensive income following derecognition of the CIL shareholding and this is offset by a deferred tax credit of US$7m of recognition of VL shares at a lower market value.

The asset related tax credit relates to losses recognised as deferred tax assets to offset deferred tax liabilities arising on the final spend under the Catcher carry, recorded in development additions. UK deferred tax assets are recognised only to the extent that they offset liabilities and no net UK deferred tax asset or liability is recorded at the balance sheet date end.

Contents

Cairn Energy PLC

Group Income Statement

For the six months ended 30 June 2017

Continuing operations	Section	**Six months ended 30 June 2017 (unaudited) US$m**	Six months ended 30 June 2016 (unaudited) US$m	Year ended 31 December 2016 (audited) US$m
Revenue	4.2	**10.8**	-	-
Cost of sales		**(0.4)**	-	-
Depletion and amortisation		**(0.3)**	-	-
Gross profit		**10.1**	-	-
Pre-award costs	4.3	**(33.8)**	(6.1)	(17.7)
Unsuccessful exploration costs	2.1	**(15.2)**	(33.8)	(70.3)
Net operating expenses	4.4	**(13.5)**	(16.2)	(34.9)
Impairment of intangible exploration/appraisal assets		**-**	-	(25.3)
Operating loss		**(52.4)**	(56.1)	(148.2)
Net gain on derecognition of financial asset	3.1	**402.6**	-	-
Finance income	4.5	**70.9**	3.6	14.0
Exceptional provision against finance income	4.6	**(104.7)**	-	-
Finance costs		**(3.6)**	(4.5)	(17.3)
Profit/(loss) before taxation from continuing operations		**312.8**	(57.0)	(151.5)
Taxation				
Tax credit	5.1	**1.2**	19.2	56.5
Profit/(loss) for the period attributable to equity holders of the parent		**314.0**	(37.8)	(95.0)
Profit/(loss) per ordinary share – basic (cents)	4.7	**54.49**	(6.61)	(16.56)
Profit/(loss) per ordinary share – diluted (cents)	4.7	**53.62**	(6.61)	(16.56)

Group Statement of Comprehensive Income

For the six months ended 30 June 2017

		Six months ended 30 June 2017 (unaudited) US$m	Six months ended 30 June 2016 (unaudited) US$m	Year ended 31 December 2016 (audited) US$m
Profit/(loss) for the period		**314.0**	(37.8)	(95.0)
Other comprehensive income – items that may be recycled to the income statement				
Surplus/(deficit) on valuation of financial assets	3.1	**200.5**	(0.6)	272.1
Deferred tax charge on valuation of financial assets	5.1	**(42.8)**	-	-
Surplus on valuation recycled to the income statement	3.1	**(435.6)**	-	-
Deferred tax charge on surplus on valuation recycled to the income statement	5.1	**34.8**	-	-
Currency translation differences		**40.1**	(56.0)	(104.2)
Other comprehensive (expense)/income for the period		**(203.0)**	(56.6)	167.9
Total comprehensive income/(expense) for the period attributable to equity holders of the parent		**111.0**	(94.4)	72.9

Cairn Energy PLC

Group Balance Sheet

As at 30 June 2017

	Section	**30 June 2017 (unaudited) US$m**	30 June 2016 (unaudited) US$m	31 December 2016 (audited) US$m
Non-current assets				
Intangible exploration/appraisal assets	2.1	**560.8**	498.3	471.3
Property, plant & equipment – development/producing assets	2.2	**1,070.3**	679.1	735.1
Intangible assets – goodwill		**124.6**	126.1	118.9
Other property, plant & equipment and intangible assets		**2.8**	2.8	1.9
Available-for-sale financial assets	3.1	**823.6**	383.4	656.1
		2,582.1	1,689.7	1,983.3
Current assets				
Income tax asset	5.2	**54.9**	45.1	26.1
Inventory		**0.3**	0.7	-
Other receivables	3.3	**129.3**	164.9	113.7
Cash and cash equivalents	3.2	**253.7**	414.3	334.9
		438.2	625.0	474.7
Total assets		**3,020.3**	2,314.7	2,458.0
Current liabilities				
Loans and borrowings	3.2	**21.7**	-	-
Trade and other payables	3.4	**287.0**	170.0	123.0
Finance lease liabilities	3.5	**17.1**	-	-
		325.8	170.0	123.0
Non-current liabilities				
Finance lease liabilities	3.5	**183.1**	-	-
Deferred tax liabilities	5.3	**102.6**	58.7	62.7
Provisions – decommissioning	2.3	**98.6**	68.7	79.6
Provisions – other		**2.7**	2.6	2.8
		387.0	130.0	145.1
Total liabilities		**712.8**	300.0	268.1
Net assets		**2,307.5**	2,014.7	2,189.9
Equity attributable to equity holders of the parent				
Called-up share capital		**12.5**	12.4	12.4
Share premium		**488.0**	487.2	488.0
Shares held by ESOP/SIP Trusts		**(10.9)**	(11.1)	(10.2)
Foreign currency translation		**(210.0)**	(202.2)	(250.1)
Capital reserves – non-distributable		**40.8**	40.8	40.8
Merger reserve		**255.9**	255.9	255.9
Available-for-sale reserve		**29.0**	(0.6)	272.1
Retained earnings		**1,702.2**	1,432.3	1,381.0
Total equity		**2,307.5**	2,014.7	2,189.9

Cairn Energy PLC

Group Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June 2017 (unaudited) US$m	Six months ended 30 June 2016 (unaudited) US$m	Year ended 31 December 2016 (audited) US$m
Cash flows from operating activities			
Profit/(loss) before taxation	**312.8**	(57.0)	(151.5)
Unsuccessful exploration costs	**15.2**	33.8	70.3
Depreciation, depletion and amortisation	**0.8**	1.5	2.7
Share-based payments charge	**10.4**	9.6	16.7
Impairment of intangible exploration/appraisal assets	**-**	-	25.3
Inventory disposal	**-**	-	0.7
Net gain on derecognition of financial asset	**(402.6)**	-	-
Finance income	**(70.9)**	(3.6)	(14.0)
Exceptional provision against finance income	**104.7**	-	-
Finance costs	**3.6**	4.5	17.3
Interest paid	**(0.2)**	-	-
Income tax received from operating activities	**-**	-	6.8
Other receivables movement	**(17.2)**	(3.7)	(0.8)
Trade and other payables movement	**10.9**	(2.3)	6.0
Deferred revenue received	**74.6**	-	-
Provisions movement	**(0.1)**	0.3	(0.1)
Net cash from/(used in) operating activities	**42.0**	(16.9)	(20.6)
Cash flows from investing activities			
Expenditure on intangible exploration/appraisal assets	**(68.9)**	(89.7)	(149.1)
Expenditure on property, plant & equipment - development/producing assets	**(71.0)**	(87.3)	(125.2)
Income tax received from investing activities	**-**	-	28.7
Movement on inventory	**-**	-	0.6
Purchase of property, plant & equipment and intangible assets	**(4.7)**	(1.0)	(4.5)
Interest received	**4.2**	1.7	2.3
Net cash used in investing activities	**(140.4)**	(176.3)	(247.2)
Cash flows from financing activities			
Facility fees, arrangement fees and bank charges	**(2.8)**	(2.4)	(5.0)
Proceeds from borrowings	**21.7**	-	-
Cost of shares purchased	**(3.9)**	-	-
Proceeds from exercise of share options	**0.1**	0.1	0.9
Net cash flows from/(used in) financing activities	**15.1**	(2.3)	(4.1)
Net decrease in cash and cash equivalents	**(83.3)**	(195.5)	(271.9)
Opening cash and cash equivalents at beginning of period	**334.9**	602.8	602.8
Foreign exchange differences	**2.1**	7.0	4.0
Closing cash and cash equivalents	**253.7**	414.3	334.9

Cairn Energy PLC

Group Statement of Changes in Equity

For the six months ended 30 June 2017

	Equity share capital US$m	Shares held by ESOP Trust and SIP Trust US$m	Foreign currency translation US$m	Merger and capital reserves US$m	Available -for-sale reserve US$m	Retained earnings US$m	**Total equity US$m**
At 1 January 2016	499.5	(23.0)	(146.2)	296.7	-	1,472.4	2,099.4
Loss for the year	-	-	-	-	-	(95.0)	(95.0)
Surplus on valuation of financial assets	-	-	-	-	272.1	-	272.1
Currency translation differences recycled on disposal of subsidiary	-	-	0.3	-	-	(0.3)	-
Currency translation differences	-	-	(104.2)	-	-	-	(104.2)
Total comprehensive income for the year	-	-	(103.9)	-	272.1	(95.3)	72.9
Share-based payments	-	-	-	-	-	16.7	16.7
Exercise of employee share options	0.9	-	-	-	-	-	0.9
Cost of shares vesting	-	12.8	-	-	-	(12.8)	-
At 31 December 2016	500.4	(10.2)	(250.1)	296.7	272.1	1,381.0	**2,189.9**
Profit for the period	-	-	-	-	-	314.0	**314.0**
Surplus on valuation of financial assets	-	-	-	-	200.5	-	**200.5**
Deferred tax credit on valuation of financial assets	-	-	-	-	(42.8)	-	**(42.8)**
Valuation movement recycled to income statement	-	-	-	-	(435.6)	-	**(435.6)**
Deferred tax credit on valuation movement recycled to income statement	-	-	-	-	34.8	-	**34.8**
Currency translation differences	-	-	40.1	-	-	-	**40.1**
Total comprehensive income for the period	-	-	40.1	-	(243.1)	314.0	**111.0**
Share-based payments	-	-	-	-	-	10.4	**10.4**
Exercise of employee share options	0.1	-	-	-	-	-	**0.1**
Cost of shares purchased	-	(3.9)	-	-	-	-	**(3.9)**
Cost of shares vesting	-	3.2	-	-	-	(3.2)	**-**
At 30 June 2017	**500.5**	**(10.9)**	**(210.0)**	**296.7**	**29.0**	**1,702.2**	**2,307.5**

Cairn Energy PLC

Group Statement of Changes in Equity (continued)

For the six months ended 30 June 2016

	Equity share capital US$m	Shares held by ESOP Trust and SIP Trust US$m	Foreign currency translation US$m	Merger and capital reserves US$m	Available -for-sale reserve US$m	Retained earnings US$m	Total equity US$m
At 1 January 2016	499.5	(23.0)	(146.2)	296.7	-	1,472.4	2,099.4
Loss for the period	-	-	-	-	-	(37.8)	(37.8)
Deficit on valuation of financial assets	-	-	-	-	(0.6)	-	(0.6)
Currency translation differences	-	-	(56.0)	-	-	-	(56.0)
Total comprehensive expense for the period	-	-	(56.0)	-	(0.6)	(37.8)	(94.4)
Share-based payments	-	-	-	-	-	9.6	9.6
Exercise of employee share options	0.1	-	-	-	-	-	0.1
Cost of shares vesting	-	11.9	-	-	-	(11.9)	-
At 30 June 2016	499.6	(11.1)	(202.2)	296.7	(0.6)	1,432.3	2,014.7

Section 1 – Basis of Preparation

1.1 Accounting Policies

Basis of Preparation
The half-yearly condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. They should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

The disclosed figures, which have been reviewed but not audited, are not statutory accounts in terms of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016, on which the auditors gave an audit report which was unqualified, which did not contain an emphasis of matter paragraph and which did not contain any statement under section 498 of the Companies Act 2006 have been filed with the Registrar of Companies.

This half-yearly report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ending 31 December 2017, and uses the same accounting and financial risk management policies and methods of computation as those applied for the year ended 31 December 2016, other than changes to accounting policies resulting from the adoption of new or revised accounting standards. Changes to IFRS effective 1 January 2017 have no significant impact on Cairn's accounting policies or financial statements. Changes to accounting policies and the impact on financial statements resulting from new accounting standards and amendments to existing standards that have been issued, but are not yet effective, including IFRS 15 and IFRS 16 are currently being assessed. The adoption of IFRS 16 is not expected to impact the finance lease recorded in property, plant & equipment – development/producing assets in the current period.

Significant key estimates and assumptions are unchanged from those applied in the year ended 31 December 2016 and the same have accordingly been applied here.

This half-yearly report was approved by the Directors on 21 August 2017.

1.2 Going concern

The directors have considered the factors relevant to support a statement of going concern.

In assessing whether the going concern assumption is appropriate, the Board and Audit Committee considered the Group cash flow forecasts under various scenarios, identifying risks and mitigating factors and ensuring the Group has sufficient funding to meet its current commitments as and when they fall due.

The directors have a reasonable expectation that the Group will continue in operational existence for a period of 12 months from the date of signing these financial statements and have therefore used the going concern basis in preparing the financial statements.

Section 2 – Oil and Gas Assets and Decommissioning Provisions

2.1 Intangible Exploration/Appraisal Assets

	Senegal US$m	UK & Norway US$m	International US$m	**Total US$m**
Cost				
At 1 January 2016	228.2	173.3	82.6	484.1
Foreign exchange	-	(3.7)	0.2	(3.5)
Additions	89.0	16.2	3.4	108.6
Unsuccessful exploration costs	-	(0.6)	(33.2)	(33.8)
At 30 June 2016	317.2	185.2	53.0	555.4
Foreign exchange	-	(9.7)	0.1	(9.6)
Additions	13.1	24.7	4.1	41.9
Unsuccessful exploration costs	-	(27.6)	(24.5)	(52.1)
At 31 December 2016	330.3	172.6	32.7	**535.6**
Foreign exchange	-	7.7	0.5	**8.2**
Additions	77.3	10.5	11.5	**99.3**
Unsuccessful exploration costs	-	(3.5)	(11.7)	**(15.2)**
At 30 June 2017	**407.6**	**187.3**	**33.0**	**627.9**
Impairment				
At 1 January 2016	-	39.3	21.4	60.7
Foreign exchange	-	(3.8)	0.2	(3.6)
At 30 June 2016	-	35.5	21.6	57.1
Foreign exchange	-	(2.6)	0.1	(2.5)
Impairment charge	-	11.0	14.3	25.3
Unsuccessful exploration costs	-	-	(15.6)	(15.6)
At 31 December 2016	-	43.9	20.4	**64.3**
Foreign exchange	-	2.3	0.5	**2.8**
At 30 June 2017	**-**	**46.2**	**20.9**	**67.1**
Net book value				
At 30 June 2016	317.2	149.7	31.4	498.3
At 31 December 2016	330.3	128.7	12.3	471.3
At 30 June 2017	**407.6**	**141.1**	**12.1**	**560.8**

Senegal
Cairn has drilled eleven wells offshore Senegal, with two basin-opening discoveries in 2014 followed by four wells completed in 2016. The FAN South-1 well and exploration and appraisal well encountered hydrocarbons in the exploration target and successfully appraised the SNE-1 discovery. The additional SNE-2, SNE-3 and SNE-4 appraisal wells confirmed the resource base of the world-class SNE-1 discovery made in 2014.

The third phase of drilling commenced in January 2017 with further evaluation of both the SNE and FAN discoveries and additional exploration wells. The SNE-5 and SNE-6 appraisal wells and the VR-1 exploration and appraisal well were completed in the period. The FAN South-1 exploration well was drilling over the balance sheet date and completed in July 2017. Subsequent to the period-end the SNE North-1 exploration well was drilled and completed in August 2017.

Additions in the period of US$77.3m include US$65.7m of drilling costs associated with the exploration and appraisal wells completed in the period or operating at the period end. A further US$13.3m of non-well specific exploration costs were incurred in the period. The remaining credit to additions were for amounts over-accrued in 2016.

UK and Norway
Additions in the current period of US$10.5m include US$3.2m incurred for Skarfjell pre-development with further costs of US$7.3m incurred across the Group's portfolio of licences in the region.

Unsuccessful exploration costs of US$3.5m relate to costs on licences where no further exploration activity is planned.

Section 2 – Oil and Gas Assets and Decommissioning Provisions

2.1 Intangible Exploration/Appraisal Assets (continued)

International
In 2017 Cairn completed the farm-in to FEL 2/14 in Ireland. The 53/6A well on the licence spudded in June 2017, targeting both the Druid and Drombeg prospects. The Druid prospect reached target in August failing to discover commercial hydrocarbons, drilling continues towards the Drombeg prospect. Exploration additions include US$7.7m relating to this well.

Unsuccessful exploration costs of US$5.8m incurred in 2017 relate the relinquishment of the Malta Blocks 1, 2 and 3 Area 03 licence. The remaining unsuccessful costs incurred are mainly due to the write-down of inventory in Ireland.

2.2 Property, Plant & Equipment – Development/Producing Assets

	UK & Norway US$m	UK & Norway leased assets US$m	**Total US$m**
Cost			
At 1 January 2016	604.7	-	604.7
Foreign exchange	(70.0)	-	(70.0)
Additions	167.1	-	167.1
At 30 June 2016	701.8	-	701.8
Foreign exchange	(55.2)	-	(55.2)
Additions	109.5	-	109.5
At 31 December 2016	756.1	**-**	**756.1**
Foreign exchange	44.8	3.3	**48.1**
Additions	87.5	200.8	**288.3**
At 30 June 2017	**888.4**	**204.1**	**1,092.5**
Depletion, amortisation and impairment			
At 1 January 2016	25.1	-	25.1
Foreign exchange	(2.4)	-	(2.4)
At 30 June 2016	22.7	-	22.7
Foreign exchange	(1.7)	-	(1.7)
At 31 December 2016	21.0	**-**	**21.0**
Foreign exchange	0.9	**-**	**0.9**
Depletion	0.3	**-**	**0.3**
At 30 June 2017	**22.2**	**-**	**22.2**
Net book value			
At 30 June 2016	679.1	-	679.1
At 31 December 2016	735.1	-	735.1
At 30 June 2017	**866.2**	**204.1**	**1,070.3**

Cairn has two non-operated development projects in the UK North Sea. Oil production from the Kraken field commenced in June 2017 and first oil from the Catcher field is targeted by the end of the year.

Additions on the Kraken development of US$51.3m include US$8.6m for the decommissioning asset increase. Remaining additions in the first half of 2017 include US$36.2m spend on the Catcher development. These additions include an increase in the decommissioning asset of US$6.3m.

Impairment reviews on the Group's development asset are conducted annually, at the year end, or where indicators exist. The Group's development assets were reviewed for indicators of impairment at 30 June, but none were identified. There have been no significant changes in market conditions or management's estimates and assumptions used in impairment testing adopted at the December 2016 year end.

Section 2 – Oil and Gas Assets and Decommissioning Provisions

2.2 Property, Plant & Equipment – Development/Producing Assets (continued)

Leased assets
On the commencement of production the Kraken FPSO was recorded on the balance sheet as a producing asset addition of US$200.8m. This represents an amount equal to the net present value of future minimum lease payments of the finance lease liability. See section 3.5.

2.3 Decommissioning Provisions

	Exploration well abandonment US$m	Development/ Producing assets US$m	**Total US$m**
At 1 January 2016	6.2	30.9	37.1
Foreign exchange	(0.6)	(5.5)	(6.1)
Unwinding of discount	0.1	0.3	0.4
Provided in period	-	37.3	37.3
At 30 June 2016	5.7	63.0	68.7
Foreign exchange	(0.4)	(4.8)	(5.2)
Unwinding of discount	-	0.6	0.6
Provided in period	-	15.5	15.5
At 31 December 2016	5.3	74.3	**79.6**
Foreign exchange	0.3	4.5	**4.8**
Unwinding of discount	-	0.9	**0.9**
(Released)/provided in period	(1.5)	14.8	**13.3**
At 30 June 2017	**4.1**	**94.5**	**98.6**

The development/producing assets decommissioning provisions represent the present value of decommissioning costs related to the Kraken and Catcher development projects. The provisions are based on operator estimates, subject to internal review and amendment where considered necessary and using assumptions based on existing technology and the current economic environment, with a discount rate of 2% per annum (2016: 2%). The reasonableness of these assumptions is reviewed by management at each reporting date to take into account any material changes required.

The decommissioning provisions represent management's best estimate of the obligation arising based on the status of development projects at the balance sheet date. Actual decommissioning costs will depend upon the prevailing market conditions for the work required at the relevant time.

The decommissioning of the Group's development assets is forecast to occur between 2026 and 2034.

Section 2 – Oil and Gas Assets and Decommissioning Provisions

2.4 Capital Commitments

	30 June 2017 US$m	30 June 2016 US$m	31 December 2016 US$m
Oil and gas expenditure:			
Intangible exploration/appraisal assets	**101.2**	119.4	126.4
Property, plant & equipment – development/producing assets	**592.1**	845.5	603.9
Contracted for	**693.3**	964.9	730.3

Capital commitments represent Cairn's share of obligations in relation to its interests in joint operations. These commitments include Cairn's share of the capital commitments of the joint operations themselves.

The capital commitments for intangible exploration/appraisal assets at 30 June 2017 mainly relate to operations in Ireland and the UK and Norwegian North Sea.

The capital commitments for property, plant & Equipment – development/producing assets include US$437.9m (30 June 2016: US$631.5m; 31 December 2015: US$395.1m) relating to two lease commitments due within the next eight years. The lease terms for the Kraken FPSO commenced in June 2017. The lease term for the second leased asset, the Catcher FPSO, has not yet commenced. The future minimum rentals payable under these leases are aged as follows:

	30 June 2017 US$m	30 June 2016 US$m	31 December 2016 US$m
Not later than one year	**270.8**	266.0	10.4
After one year but not more than five years	**99.0**	220.9	219.2
After five years	**68.1**	144.6	165.5
	437.9	631.5	395.1

The Group has no further material capital expenditure committed at the balance sheet date.

Section 3 – Financial Assets and Working Capital

3.1 Available-for-Sale Financial Assets

Fair value	Listed equity shares US$m	7.5% Redeemable preference shares of INR10 US$m	Total US$m
At 1 January 2016	384.0	-	**384.0**
Deficit on valuation	(0.6)	-	**(0.6)**
At 30 June 2016	383.4	-	**383.4**
Surplus on valuation	272.7	-	**272.7**
At 31 December 2016	656.1	**-**	**656.1**
Disposal of shares in Cairn India Limited on merger	(819.7)	-	**(819.7)**
Additions of shares in Vedanta Limited on merger	671.8	114.9	**786.7**
Surplus/(deficit) on valuation	201.4	(0.9)	**200.5**
As at 30 June 2017	**709.6**	**114.0**	**823.6**

In April 2017, CIL underwent a merger with VL as a result of which the Group holds both equity shares and redeemable preference shares in VL. Prior to that date the Group held a 9.8% stake in CIL via equity shares, the market value of which at the time of the merger was US$819.7m. The market value of the VL shares on the merger date was US$786.7m, resulting in a loss on disposal of US$33.0m. On disposal, the cumulative surplus arising on valuation of shares in CIL of US$435.6m was recycled from equity to the Income Statement, generating a net gain on disposal as summarised below:

	US$m
Loss on disposal of shares in CIL on merger with VL	(33.0)
Cumulative surplus on valuation of shares in CIL recycled from equity	435.6
Net gain on derecognition of financial asset	402.6

The listed equity shares held at 30 June 2017 represents the Group's investment in the share capital of VL, listed in India, which by its nature has no fixed maturity or coupon rate. These listed equity securities present the Group with an opportunity for return through dividend income and trading gains and are Level 1 assets measured at fair value. The redeemable preference shares have a coupon of 7.5% and a term of eighteen months. These are Level 2 assets valued at par value of INR 10.

Cairn is currently restricted from selling its shares in VL. See section 5.4.

Section 3 – Financial Assets and Working Capital

3.2 Net Funds

	30 June 2017 US$m	30 June 2016 US$m	31 December 2016 US$m
Cash at bank	**13.5**	3.9	24.0
Short-term bank deposits	**14.4**	263.4	147.7
Money market funds	**180.6**	147.0	137.5
Tri-party repurchase transactions	**45.2**	-	25.7
Cash and cash equivalents	**253.7**	414.3	334.9
Loans and borrowings	**(21.7)**	-	-
Net funds	**232.0**	414.3	334.9

On 3 March 2017, the Group's Norwegian subsidiary, Capricorn Norge AS, signed a two-year EFF with a syndicate of two international banks, BNP Paribas and Commbank Europe Limited. The facility can be used for part funding of exploration costs, incurred and paid in Norway, which are eligible for a tax refund in accordance with Section 3 of the Norwegian Petroleum Tax Act. It can also be used to fund applicable facility finance costs.

As at 30 June 2017, US$21.7m (NOK 181m) was drawn under the facility. The maximum available amount is currently forecast to be US$51.9m (NOK 433m).

Interest on outstanding debt is charged at the appropriate NIBOR plus an applicable margin. Debt is repayable by the final maturity date, which is the earlier of 31 December 2019 or the date of receipt of the tax refund relating to exploration spend for 2018.

3.3 Other Receivables

	30 June 2017 US$m	30 June 2016 US$m	31 December 2016 US$m
Other receivables	**28.1**	33.9	7.4
Dividends receivable	**-**	42.3	50.6
Prepayments	**26.7**	19.5	21.4
Joint operation receivables	**74.5**	69.2	34.3
	129.3	164.9	113.7

US$50.6m of dividends receivable from CIL were accrued to 31 December 2016. In April 2017, a further dividend of US$52.4m was declared, on the merger of CIL with VL, which together with US$1.4m of interest on preference share, increased the total due to Cairn to US$104.7m, after exchange adjustments. Post declaration of the April dividend, the Indian Income Tax Department have seized the funds due to the Group from VIL in part-settlement of the assessment order issued relating to the disputed retrospective tax demand. See section 5.4. Therefore, the total receivable of US$104.7m has been impaired in full at 30 June 2017.

Other receivables includes royalty income of US$10.8m, of which US$10.1m was received in July 2017 and other finance income receivables of US$8.1m.

Prepayments include US$14.9m of RBL facility arrangement fees which will be amortised over the expected useful life of the undrawn RBL facility, commencing from the date the facility is drawn down. Further prepayments of US$6.6m at 30 June 2017 relate to additions to other intangible assets.

Joint operation receivables represent Cairn's working interest share of the receivables relating to joint operations and amounts recoverable from partners in joint operations.

The movement in the Group's other receivables and prepayments relating to operating activities reported in the Group cash flow statement primarily relates to the royalty income receivable. Movements in joint operation receivables are recorded through investing activities as either exploration/appraisal or development/producing asset cash flows as appropriate.

Section 3 – Financial Assets and Working Capital

3.4 Trade and Other Payables

	30 June 2017 US$m	30 June 2016 US$m	31 December 2016 US$m
Trade payables	**9.2**	2.0	3.1
Other taxation and social security	**1.9**	2.0	2.1
Other payables	**2.2**	2.4	1.4
Deferred revenue	**74.2**	-	-
Accruals	**30.5**	11.3	17.7
Joint operation payables	**169.0**	152.3	98.7
	287.0	170.0	123.0

Joint operation payables includes Cairn's share of the trade and other payables of operations in which the Group participates. Joint operation payables also includes amounts that Cairn, as operator, will settle and recover from partners.

Deferred revenue of US$74.2m relates to the stream agreement with FlowStream. Under the initial stream agreement, Cairn received US$74.6m in June 2017 with FlowStream receiving 4.5% of future Kraken production. FlowStream's entitlement to Kraken production reduces to 1.35% after FlowStream achieves a 10% return and would further reduce to 0.675% if FlowStream achieves a 15% return.

The increases in trade payables and accruals largely relates to new venture activities, included within pre-award costs in the Income Statement, and drives the movement disclosed within operating activities in the cash flow statement. Deferred revenue received is disclosed separately within operating cash flows. Movements in joint operation payables are recorded through investing activities as either exploration/appraisal or development/producing asset cash flows as appropriate.

3.5 Finance Lease Liabilities

On 20 December 2013, the Group entered into a bareboat charter agreement with Armada Kraken PTE Limited for the lease of an FPSO vessel for the Kraken field. This agreement is considered to be a finance lease and commenced on the date of first oil production on 23 June 2017. The minimum lease payments due under this finance lease, together with the present value of the minimum lease payments, are as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	30 June 2017 US$m	30 June and 31 December 2016 US$m	**30 June 2017 US$m**	30 June and 31 December 2016 US$m
Not later than one year	**17.5**	-	**17.1**	-
After one year but no more than five years	**94.2**	-	**82.9**	-
After five years	**139.8**	-	**100.2**	-
Total future minimum rentals payable	**251.5**	-	**200.2**	-
Less future finance charges	**(51.3)**	-		
Present value of minimum lease payments	**200.2**	-		

Section 4 – Results for the Period

4.1 Segmental Analysis

Operating Segments
Cairn's business model is to create, add and realise value from a balanced portfolio.

Each business unit is headed by a regional director (a regional director may be responsible for more than one business unit) and the Board monitors the results of each separately for the purposes of making decisions about resource allocation and performance assessment.

The Senegal business units focus is on appraising the successful 2014 discoveries offshore Senegal and to identify further exploration prospects for future drilling. The UK and Norway business unit includes exploration activities in the North Sea, Norwegian Sea and Barents Sea and management of the Group's development assets in the UK North Sea. The International business unit consists of all other regions where Cairn currently holds (or held during the period) exploration licences, including Ireland, Western Sahara and the Mediterranean.

The Other Cairn Energy Group segment exists to accumulate the activities and results of the holding company and other unallocated expenditure and net assets/liabilities including amounts of a corporate nature not specifically attributable to any of the business units

Non-current assets as analysed on a segmental basis consist of intangible exploration/appraisal assets; property, plant & equipment – development/producing assets; intangible assets – goodwill; and other property, plant & equipment and intangible assets

The segmental results for the six months ended 30 June 2017 are as follows:

	Senegal US$m	UK & Norway US$m	International US$m	Other Cairn Energy Group US$m	**Total US$m**
Revenue	**-**	**-**	**10.8**	**-**	**10.8**
Cost of sales	-	(0.4)	-	-	**(0.4)**
Depletion and amortisation	-	(0.3)	-	-	**(0.3)**
Gross profit	**-**	**(0.7)**	**10.8**	**-**	**10.1**
Pre-award costs	-	(27.0)	(2.5)	(4.3)	**(33.8)**
Unsuccessful exploration costs	-	(3.5)	(11.7)	-	**(15.2)**
Depreciation	-	(0.2)	-	(0.1)	**(0.3)**
Amortisation	-	-	-	(0.2)	**(0.2)**
Other income and administrative expenses	-	(1.8)	0.4	(11.6)	**(13.0)**
Operating loss	**-**	**(33.2)**	**(3.0)**	**(16.2)**	**(52.4)**
Net gain on derecognition of financial asset	-	-	-	402.6	**402.6**
Interest income	-	0.1	-	9.4	**9.5**
Other finance income and costs	(0.3)	(7.9)	-	(38.7)	**(46.9)**
Profit before taxation	**(0.3)**	**(41.0)**	**(3.0)**	**357.1**	**312.8**
Tax credit	-	28.9	-	(27.7)	**1.2**
(Loss)/profit for the period	**(0.3)**	**(12.1)**	**(3.0)**	**329.4**	**314.0**
Capital expenditure	**77.5**	**299.4**	**11.5**	**0.6**	**389.0**
Total assets	**460.0**	**1,539.4**	**27.4**	**993.5**	**3,020.3**
Total liabilities	**83.6**	**561.2**	**16.6**	**51.4**	**712.8**
Non-current assets	**407.7**	**1,336.9**	**12.1**	**1.8**	**1,758.5**

Section 4 – Results for the Period

4.1 Segmental Analysis (continued)

The segmental results for the six months ended 30 June 2016 were as follows:

	Senegal US$m	UK & Norway US$m	International US$m	Other Cairn Energy Group US$m	Total US$m
Pre-award costs	-	(2.0)	-	(4.1)	(6.1)
Unsuccessful exploration costs	-	(0.6)	(33.2)	-	(33.8)
Depreciation	-	(0.1)	-	(0.4)	(0.5)
Amortisation	-	-	-	(1.0)	(1.0)
Other income and administrative expenses	-	(2.8)	(0.6)	(11.3)	(14.7)
Operating loss	-	(5.5)	(33.8)	(16.8)	(56.1)
Interest income	-	-	-	1.7	1.7
Other finance income and costs	-	4.9	(0.1)	(7.4)	(2.6)
Loss before taxation	-	(0.6)	(33.9)	(22.5)	(57.0)
Tax credit	-	19.2	-	-	19.2
Loss for the period	-	18.6	(33.9)	(22.5)	(37.8)
Capital expenditure	89.0	183.5	3.4	0.5	276.4
Total assets	358.2	1,086.5	37.3	832.7	2,314.7
Total liabilities	62.5	205.0	19.3	13.2	300.0
Non-current assets	317.2	955.3	31.4	2.4	1,306.3

Section 4 – Results for the Period

4.1 Segmental Analysis (continued)

The segmental results for the year ended 31 December 2016 were as follows:

	Senegal US$m	UK & Norway US$m	International US$m	Other Cairn Energy Group US$m	Total US$m
Pre-award costs	-	(8.5)	(2.8)	(6.4)	(17.7)
Unsuccessful exploration costs	-	(28.2)	(42.1)	-	(70.3)
Depreciation	-	(0.3)	-	(0.4)	(0.7)
Amortisation	-	-	-	(2.0)	(2.0)
Inventory write-down	-	-	-	(0.7)	(0.7)
Administrative expenses	-	(2.9)	(0.8)	(27.8)	(31.5)
Impairment of oil and gas assets	-	(11.0)	(14.3)	-	(25.3)
Operating loss	-	(50.9)	(60.0)	(37.3)	(148.2)
Interest income	-	0.5	-	3.5	4.0
Other finance income and costs	-	(2.0)	(0.1)	(5.2)	(7.3)
Loss before taxation	-	(52.4)	(60.1)	(39.0)	(151.5)
Tax credit	-	56.5	-	-	56.5
Loss for the year	-	4.1	(60.1)	(39.0)	(95.0)
Capital expenditure	102.1	318.0	7.5	0.8	428.4
Total assets	341.8	1,080.0	31.6	1,004.6	2,458.0
Total liabilities	16.7	217.6	17.6	16.2	268.1
Non-current assets	330.3	983.4	12.3	1.2	1,327.2

4.2 Revenue

Royalty income of US$10.8m is receivable on production from two fields in Mongolia. Cairn was successful in international arbitration proceedings in proving the Group's title to these royalties and the basis for calculating royalties due, and has recovered royalty income payable in respect of historic production from the fields.

4.3 Pre-award costs

	Six months ended 30 June 2017 US$m	Six months ended 30 June 2016 US$m	Year ended 31 December 2016 US$m
UK & Norway	**27.0**	2.0	8.5
Other	**6.8**	4.1	9.2
	33.8	6.1	17.7

Pre-award costs in the UK & Norway segment in the period include US$23.2m of seismic data costs largely in the Barents Sea. Other costs of US$6.8m were incurred in pursuit of new opportunities in other regions which complement the Group's current licence interests and risk appetite.

Section 4 – Results for the Period

4.4 Net Operating Expenses

	Six months ended 30 June 2017 US$m	Six months ended 30 June 2016 US$m	Year ended 31 December 2016 US$m
Administrative expenses	**14.9**	16.2	34.2
Inventory disposal/write down	**-**	-	0.7
Other income	**(1.4)**	-	-
	13.5	16.2	34.9

4.5 Finance Income

	Six months ended 30 June 2017 US$m	Six months ended 30 June 2016 US$m	Year ended 31 December 2016 US$m
Bank and other interest receivable	**1.4**	1.8	4.0
Dividend income	**52.4**	-	8.2
Other finance income	**8.1**	-	-
Exchange gain	**9.0**	-	-
Unwinding of discount – other receivables	**-**	1.8	1.8
	70.9	3.6	14.0

4.6 Exceptional Provision against Finance Income

Dividend income relating to the Group's residual interest in CIL was receivable from VL after the merger of the two companies. However following the seizure by the Indian government of the income held in abeyance, the unpaid dividend receivable has been fully provided against, with an exceptional impairment of US$104.7m charged to the Income Statement. See section 5.4 for further details.

Section 4 – Results for the Period

4.7 Earnings per Ordinary Share

Basic and diluted earnings per share are calculated using a profit of US$314.0m (30 June 2016: loss of US$37.8m; 31 December 2016: loss of US$95.0m). The share data used in the earnings per share computations is as follows:

	Six months ended 30 June 2017 '000	Six months ended 30 June 2016 '000	Year ended 31 December 2016 '000
Weighted average number of shares	**581,015**	576,477	576,733
Less weighted average shares held by ESOP and SIP Trusts	**(4,817)**	(3,761)	(3,111)
Basic weighted average number of shares	**576,198**	572,716	573,622
Potential dilutive effect of shares issuable under employee share plans:			
LTIP awards	**7,628**	-	-
Approved and unapproved plans	**508**	-	-
Employee share awards	**1,244**	-	-
Diluted weighted average number of shares	**585,578**	572,716	573,622
Potentially issuable shares:			
LTIP awards	**9,510**	20,263	18,048
Approved and unapproved plans	**3,980**	6,227	3,980
Employee share awards	**2,009**	1,583	1,629
Number of potentially issuable shares	**15,499**	28,073*	23,657*

* 2016 potentially issuable shares were anti-dilutive.

Section 5 – Taxation

5.1 Tax Credit on Profit/(loss) for the Period

	Six months ended 30 June 2017 US$m	Six months ended 30 June 2016 US$m	Year ended 31 December 2016 US$m
Current tax credit:			
Norwegian tax refunds receivable	**(27.4)**	(10.3)	(26.5)
	(27.4)	(10.3)	(26.5)
Deferred tax charge/(credit):			
Norwegian deferred tax charges	**2.0**	7.2	13.3
UK deferred tax credits realised	**-**	(13.0)	(34.9)
Release of provision on carried interests due to change in tax rate	**(3.5)**	(3.1)	(8.4)
Recycled from other comprehensive income on derecognition of financial asset	**34.8**	-	-
Deferred tax on recognition of financial asset	**(7.1)**	-	-
	26.2	(8.9)	(30.0)
Tax credit on profit/(loss)	**(1.2)**	(19.2)	(56.5)
Tax included in Other Comprehensive Income:			
Deferred tax credit on valuation of financial assets	**42.8**	-	-
Deferred tax charge on valuation movement recycled to income statement	**(34.8)**	-	-
Total tax charge in Other Comprehensive Income	**8.0**	-	-

The tax credit is calculated on the actual results for the period.

5.2 Income Tax Asset

The Income tax asset of US$54.9m (30 June 2016: US$45.1m; 31 December 2016: US$26.1m) represents Norwegian tax refunds receivable.

Section 5 – Taxation

5.3 Deferred Tax Assets and Liabilities

	Temporary difference in respect of non-current assets US$m	Losses US$m	Other temporary differences US$m	**Total US$m**
Deferred tax assets				
At 1 January 2016	(153.9)	153.9	-	-
Deferred tax (credit)/charge through income statement	(2.6)	18.7	-	16.1
Deferred tax movement on carried interests in development assets	(16.1)	-	-	(16.1)
Exchange differences arising	(8.9)	8.9	-	-
At 30 June 2016	(181.5)	181.5	-	-
Deferred tax (credit)/charge through income statement	(11.9)	39.2	-	27.3
Deferred tax movement on carried interests in development assets	(27.3)	-	-	(27.3)
Exchange differences arising	15.1	(15.1)	-	-
At 31 December 2016	(205.6)	205.6	-	**-**
Deferred tax (credit)/charge through income statement	(24.9)	28.4	-	**3.5**
Deferred tax movement on carried interests in development assets	(3.5)	-	-	**(3.5)**
Exchange differences arising	(12.3)	12.3	-	**-**
At 30 June 2017	**(246.3)**	**246.3**	**-**	**-**

	Temporary difference in respect of non-current assets US$m	Losses US$m	Other temporary differences US$m	**Total US$m**
Deferred tax liabilities				
At 1 January 2016	(59.3)	10.5	-	(48.8)
Deferred tax (credit)/charge through income statement	(7.9)	0.7	-	(7.2)
Exchange differences arising	(3.3)	0.6	-	(2.7)
At 30 June 2016	(70.5)	11.8	-	(58.7)
Deferred tax (credit)/charge through income statement	(6.5)	0.3	-	(6.2)
Exchange differences arising	2.7	(0.5)	-	2.2
At 31 December 2016	(74.3)	11.6	-	**(62.7)**
Deferred tax (credit)/charge through income statement	(30.9)	1.5	(0.3)	**(29.7)**
Deferred tax (credit)/charge to comprehensive income	(8.0)	-	-	**(8.0)**
Exchange differences arising	(2.6)	0.4	-	**(2.2)**
At 30 June 2017	**(115.8)**	**13.5**	**(0.3)**	**(102.6)**

Deferred tax liabilities analysed by country:

	30 June 2017 US$m	30 June 2016 US$m	31 December 2016 US$m
Deferred tax liabilities:			
Norway	(66.9)	(58.7)	(62.7)
India	(35.7)	-	-
	(102.6)	(58.7)	(62.7)

Section 5 – Taxation

5.4 Contingent Liability – Indian Tax Assessment

Cairn UK Holdings Limited ("CUHL"), a direct subsidiary of Cairn Energy PLC, received an assessment order in 2016 from the IITD relating to the intra-group restructuring undertaken in 2006 prior to the IPO of CIL in India, citing a retrospective amendment to Indian tax law introduced in 2012. Cairn strongly contests the basis of this attempt to tax the group retrospectively for an internal restructuring.

The assessment order is in the amount of INR102bn (approximately US$1.5bn). Interest in the amount INR 188bn (approximately US$3.2bn) was originally charged from 2007 however this was quashed by the Income Tax Appellate Tribunal in late 2016. Following that, the IITD issued a revised demand including interest running from February 2016 i.e. 30 days after the date of the assessment order. That interest currently amounts to INR14.4bn (approximately US$224m). The total assets of CUHL have a current value of US$863.1m (comprising principally the group's shareholding in Vedanta Limited) and any recovery by the Indian authorities would be limited to such assets.

CUHL is pursuing its rights under Indian law to appeal the assessment and currently has an appeal pending in the Delhi High Court.

CUHL's original 9.8% shareholding in CIL (now ~5% in VL) was attached by the IITD in January 2014 and CUHL continues to be restricted by the IITD from selling such shares. See section 3.1. Additionally, the IITD has seized dividend income due to CUHL from VL resulting in an exceptional impairment of US$104.7m recorded in the Income Statement at 30 June 2017. See section 4.6.

A tax refund in respect of financial year 2011-12 in the amount of INR 15.9bn (approximately US$249m) which became due to CUHL as a consequence of a successful appeal by the Company to the Delhi High Court has also been directed to the IITD to be set against the 2006-7 liability and Cairn's claims under the international arbitration have been adjusted to include this.

Cairn commenced international arbitration proceedings against the Republic of India under the UK-India Bilateral Investment Treaty (the "Treaty") in 2015, on the basis that India's actions have breached the Treaty by (1) expropriating Cairn's property without adequate and just compensation, (2) denying fair and equitable treatment to Cairn in respect of its investments and (3) restricting Cairn's right to freely transfer funds in connection with its investment. Based on detailed legal advice, Cairn is confident that it will be successful in such arbitration.

The seat of arbitration has been agreed as The Hague in the Netherlands and Cairn has filed its Statement of Claim which clearly demonstrates that applying the retrospective amendment to Cairn and seizing US$1bn worth of CIL shares was in breach of the Treaty's requirements of fair and equitable treatment and its protections against expropriation.

Cairn has asked the arbitration panel either to order India to withdraw its unlawful tax demand and compensate Cairn for the harm suffered by the seizure of the CIL shares, being not less than US$1.1bn (plus costs); or, if the tax demand remains in place, compensate Cairn for the quantum of the tax assessment and the harm suffered by the seizure of the CIL shares. These claims were subsequently updated to include the US$249m tax refund referred to above.

Glossary

The following are the main terms and abbreviations used in this announcement:

Corporate	
Board	the Board of Directors of Cairn Energy PLC
Cairn	Cairn Energy PLC and/or its subsidiaries as appropriate
Cairn India/CIL	Cairn India Limited and/or its subsidiaries as appropriate
CUHL	Cairn UK Holdings Limited
Capricorn	Capricorn Oil Limited and/or its subsidiaries as appropriate
Company	Cairn Energy PLC
ESOP	Employee Share Trust
Group	the Company and its subsidiaries
JV	Joint Venture
LTIP	Long Term Incentive Plan
SIP	Share Incentive Plan
VL	Vedanta Limited
Technical	
APA	Awards in Predefined Area
API	American Petroleum Institute
1C	Low estimate contingent resources
2C	Best estimate contingent resources
3C	High estimate contingent resources
2P	Proven plus probable
2D/3D	Two dimensional/three dimensional
bbls	Barrels
boe	Barrel(s) of Oil Equivalent
boepd	Barrels of Oil Equivalent Per Day
bopd	Barrels of Oil Per Day
DECC	Department of Energy and Climate Change
DST	Drill Stem Tests
EFF	Exploration Finance Facility
ESA	Exploration Study Agreement
E&A	Exploration and Appraisal
FEED	Front End Engineering and Design
FID	Field Investment Decision
FPSO	Floating Production, Storage and Offloading
FDP	Field Development Plan
H1/2	first/second half
IAS	International Accounting Standard

IFRS(s)	International Financial Reporting Standard(s)
IITD	Indian Income Tax Department
INR	India Rupee
IPO	Initial Public Offering
M	Million
mmbbls	Million Barrels of Oil
mmboe	Million Barrels of Oil Equivalent
mmscfd	Million Standard Cubic Feet of Gas Per Day
NIBOR	Norwegian Interbank Offered Rate
NOK	Norwegian Krone
PSC	Production Sharing Contract
RBL	Reserves Based Lending
Q1/2/3/4	Quarters 1,2,3,4
TcF	Trillion Cubic Feet
UK	United Kingdom
US$	US Dollar
WI	Working Interest

NOTES TO EDITORS

Cairn is one of Europe's leading independent oil and gas exploration and development companies and is listed on the London Stock Exchange. Cairn has discovered and developed oil and gas reserves in a variety of locations around the world.

Cairn's business operations are focused on frontier exploration acreage in North West Europe, North West Africa and the North Atlantic, underpinned by interests in development assets in the North Sea. Cairn has its headquarters in Edinburgh, Scotland supported by operational offices in London, Norway and Senegal.

Cairn and Corporate Responsibility

- Cairn is a signatory to the UN Global Compact and our core values of respect, responsibility, relationships and our commitments towards people, the environment and society are enshrined in our Business Principles, which are available on the Cairn website at http://www.cairnenergy.com/index.asp?pageid=282
- Cairn became a participating company in the Extractive Industry Transparency Initiative (EITI) in September 2013. The EITI is a coalition of governments, companies and civil society, who have adopted a multi-stakeholder approach to applying the EITI global standard promoting transparency of payments in the oil, gas and mining sectors http://eiti.org/

For further information on Cairn please see: www.cairnenergy.com