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

Half-Year Report Announcement

Simon Thomson, Chief Executive, Cairn Energy PLC said:

"We have successfully managed the business through a challenging external environment, always ensuring that the safety of our people is paramount.

We took early action with significant reductions and deferrals to the capital programme. Alongside the sale of interests in both Norway and Senegal, we have realigned the portfolio and demonstrated Cairn's continued commitment to shareholder returns.

With a strong net cash position and limited capital commitments, Cairn is well-positioned to deliver further value for shareholders."

H1 2020 Summary

- The impact of COVID-19 has been managed safely across the business
- Net oil production averaged ~22,400 bopd, at top end of full year guidance
- Oil and gas sales revenue US$172m, average realised oil price US$40.21/bbl plus US$7.91/bbl hedging gains; average production cost US$16.3/boe
- Net cash inflow from oil and gas production US$132m
- Capital expenditure: cash outflow US$121m excluding Norway and Senegal, of which US$30m relates to activity undertaken in 2019
- Group cash at 30 June 2020 US$84m; no drawn debt
- Impairment charge of ~US$240m, with US$207m against Senegal assets and US$33m against UK producing assets, included in loss for period of US$324m

2020 Outlook

- Full year oil production guidance: 21,000 - 23,000 bopd net; targeting average production cost ~US$18/boe
- Full year forecast capital expenditure US$135m; Exploration & Appraisal US$95m, Development & Production US$40m (excluding Senegal)
- Proposed sale of Senegal interests and planned special dividend of US$250m
- Arbitration Tribunal expects to issue ruling on India tax case after the end of summer 2020

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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. Participants on the webcast may ask a question following the presentation.

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 call

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): +44 (0)330 336 9125

Access code: 1297170

Transcript

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

Corporate & Finance Overview

The safety and protection of our people remains Cairn's priority throughout the coronavirus pandemic and we follow government guidance on COVID-19 and advice from local health authorities in the countries where we operate.

Whilst the Group's production operations in the UK North Sea have been largely uninterrupted by the COVID-19 pandemic, the Group acted quickly to preserve liquidity in response to the changed market conditions. After completing the first two exploration wells planned for this year, the Group then deferred further exploration drilling in Mexico. In the UK, satellite field development wells on Catcher and exploration drilling South of Nelson have been deferred. Elsewhere, operations have been suspended in Côte d'Ivoire and activity on the Group's other exploration licences has been reduced.

During H1, we were pleased to see strong production from our UK assets, generating oil and gas sales of US$172m and cash inflows from oil and gas production of US$132m. Average realised oil prices for H1 were US$40.21 per bbl (before a US$7.91 per bbl gain on hedging). Average production costs were US$16.3 per boe.

Full year production guidance has been narrowed to 21,000 to 23,000 bopd and we are now targeting Catcher and Kraken average all-in production costs of ~US$18/boe in 2020. At 30 June 2020, Cairn had hedged 1.6m barrels of forecast production through to December 2021. 0.9m barrels have been hedged using collar structures with a weighted average floor of US$60.0/bbl and an average ceiling of US$70.0/bbl, and 0.7m barrels hedged using swaps with a weighted average strike price of US$54.5/bbl.

The disposal of our business in Norway completed in February and subsequent to the half year we also agreed the sale of our assets in Senegal. In both transactions, capital expenditures relating to the sale of assets incurred in 2020 are refunded on completion. We also took early action to reshape the 2020 capital programme and proactively review the options for longer term savings across the portfolio.

Excluding Norway and Senegal, capital expenditure for the full year 2020 is now expected to be US$135m (reduced from US$215m), including US$40m anticipated expenditure on Kraken and Catcher and forecast exploration expenditure of US$95m. On the same basis, net cash outflow on capital expenditure in H1 2020 was US$121m, of which US$30m related to activity undertaken in 2019.

The proposed sale of all of our interests in Senegal will reduce the concentration of development and financing risks and release the Group from significant capital expenditure commitments over four years. The transaction also further strengthens Cairn's balance sheet and enables a substantial return of capital to shareholders of US$250m by special dividend following completion, consistent with Cairn's long-standing approach to capital allocation. The use of proceeds to invest in and grow the business will remain subject to Cairn's rigorous capital allocation model. The transaction is forecast to result in a loss on disposal, with an impairment of US$207m recorded at 30 June 2020.

We are focused on driving down the emissions intensity of our production, in our other activities and throughout our supply chain. We are committed to investing in proof of concept of industrial Carbon Capture, Utilisation and Storage (CCUS) projects and have made an investment in the NECCUS project aiming to reduce carbon emissions from industrial sources in Scotland. Cairn has endorsed the World Bank global initiative to Zero Routine Flaring by 2030 as part of our energy transition strategy in support of the UK government and our own commitment to net zero carbon emissions by 2050. Cairn is committed to transparency and disclosure standards and reports in accordance with the Task Force on Climate Related Financial Disclosure.

Production

In H1 2020, oil production averaged ~22,400 bopd net to Cairn and full year production guidance has been narrowed to 21,000 – 23,000 bopd net (from 19,000 – 23,000 bopd previously). Capital expenditure on both fields has been reduced in the year with cost savings identified and the deferral of certain planned activities. Our current focus is on extending the life of both fields, on maximising production through FPSO performance efficiency and on continuing to mature new opportunities for future investment. Cairn is also working closely with its respective JV partners to look for opportunities to reduce emissions and improve overall HSE performance. Both our UK crudes have averaged realisations at around the Brent benchmark pricing.

Kraken

Kraken's cumulative production to 30 June 2020 was more than 33 mmbbls. Average production efficiency of more than 85% was achieved and this has continued to improve. In 2020, the Kraken JV delivered two new wells in the Worcester area in the Western flank, where there is further remaining potential. Average gross production from the field in the six months to 30 June 2020 was ~ 39,000 bopd (~11,500 bopd net to Cairn). Periods of continuous production rates above ~40,000 bopd have been achieved. The rate of water-cut has stabilised and optimisation efforts continue in order to maximise oil production. There has been a partial write-back of 2P reserves on the main field.

Catcher

The Catcher area fields remain on plateau and cumulative production to 30 June was more than 47 mmbbls. In H1 2020, average gross production from the Catcher Area was ~ 54,500 bopd (~10,900 bopd net to Cairn). Following the planned shutdown and maintenance work in Q3, Catcher production has returned to 66,000 bopd with the gas plant fully reinstated and able to export gas. Drilling operations at the Varadero infill well (VP1) were completed post period end and the well has been brought on-stream in Q3 to help maintain plateau oil rates from the Catcher Area into 2021. The JV continues to mature a programme of high return investments to maximise economic recovery from within and around the Catcher Area. Further opportunities in the Catcher Area include satellite targets and infill opportunities; the latter will be de-risked by 4D seismic which is being considered for 2021. The drilling of further production wells originally planned for 2020 has been deferred.

Developments

Senegal

Cairn's discoveries offshore Senegal from the country's first deep water wells opened up a new basin on the Atlantic Margin. Cairn operated three drilling programmes and successfully laid the foundation for Senegal's first multi-phase oil and gas development.

The FID of the Sangomar Field Development was achieved in January following receipt of the 25-year Exploitation Authorisation from the Government of Senegal. Phase 1 of the development will target estimated 2P recoverable oil reserves of 231mmbbls. Over the life of the field, total recoverable oil resources are estimated to be ~500mmbbls with the development also planning gas export to shore.

Currently Cairn's expectation is for net 2020 capital expenditure of less than US$300m (reduced from the original forecast of US$400m).

After the reporting period, Cairn announced that it had entered into an agreement to sell the Company's entire interests in Senegal to LUKOIL for a cash consideration of up to US$400m plus reimbursement of development capital expenditure incurred since 1 January 2020. Woodside subsequently exercised its rights of pre-emption over the proposed sale by Cairn to LUKOIL, and Cairn therefore entered into an agreement to sell the Company's entire interests in Senegal to Woodside on the same terms. The transaction, which is expected to complete in Q4, has been approved by Cairn shareholders and remains subject to Government of Senegal approval. Cairn intends to effect a return of capital to shareholders of US$250m by special dividend following completion.

Also after the reporting period, Petrosen exercised its option to increase its equity interest from 10% to 18% of the development resulting in Cairn's revised working interest of 36.44%.

Exploration

Cairn completed its 2020 drilling programme in Mexico during the period and reduced and deferred remaining expenditure. We continue to high grade our exploration opportunities, focusing on resources with a clear path to commerciality, where developments can be optimised, and in fiscal regimes appropriate to current commodity price trends. We have enhanced our emphasis on the overall potential carbon footprint of ventures, both in the exploration and potential future production phase.

Mexico

Cairn has interests in four blocks in the Gulf of Mexico, two as Operator (Blocks 9 and 15) and two as non-Operator (Blocks 7 and 10*).

In Q1 2020, an oil discovery was confirmed on the non-operated Saasken-1 exploration well (15% WI) in Block 10 in the Sureste Basin. Preliminary estimates by Operator, Eni, indicate the discovery may contain 200 to 300 million barrels of oil in place. The JV is working to appraise the discovery and to exploit nearby synergies in order to assess the potential for a commercial development.

On Block 9, Cairn completed its second operated well in Mexico in Q1 2020. The exploration objectives of the Bitol-1 (50%WI) were found to be dry and the well was permanently plugged and abandoned. On Block 7 (30% WI) the Ehecatl-1 well, operated by Eni, completed operations. The well did not find reservoired hydrocarbons and was permanently plugged and abandoned.

UK

In March 2020, Cairn entered into an asset exchange agreement with Shell UK Limited in which Cairn transferred a 50% WI in P2379 in exchange for 50% WI of P2380. Each licence, in the vicinity of the Nelson platform, contains a firm commitment to drill an exploration well, with both wells planned to be drilled in the period from H2 2021 to H1 2022.

Suriname

In Suriname, Cairn (100% WI) operates Block 61, which is the largest offshore PSC at 13,080 km². The block is situated within the world-class Guyana-Suriname basin, on-trend from significant recent discoveries. Excellent quality proprietary 2D seismic, modern reprocessed vintage 2D and part 3D coverage has allowed comprehensive block wide interpretations and regional studies to be undertaken. Contingent 3D seismic is being planned to develop potential drilling opportunities in both shallow and deep-water areas of the block.

Mauritania

Operator Total (50% WI) chose to withdraw from block C7 in H1 2020 and Cairn acquired this interest and was granted operatorship (Cairn 90% WI, Societé Mauritanienne des Hydrocarbures 10% WI). In consultation with the Ministry of Petroleum, Cairn chose to allow the licence to lapse and has subsequently reapplied. We are currently in negotiations with the Ministry on our application.

*The National Hydrocarbon Commission (CNH) approved the 15% share of Capricorn Energy Mexico in Block 10 (contract CNH-R02-L01-A10.CS/2017). At the same time CNH approved the acquisition of a 15% share of Eni Mexico in the adjacent Block 9 (contract CNH-R02-L01-A09.CS/2017) operated by Capricorn Energy Mexico. The signature process of the revised Production Sharing Contracts to reflect the change in the JV working interest is ongoing. Capricorn Energy Mexico is a wholly owned subsidiary of Cairn Energy PLC.

Côte d’Ivoire

Cairn has a 30% WI in all seven of the Tullow-operated onshore licences. A 2D seismic acquisition programme commenced in February 2020 in Block CI-520. Operations were impacted by the COVID-19 pandemic and in April 2020 the seismic contractor declared Force Majeure and seismic operations were suspended with 57% of the Phase 1 programme completed. The JV subsequently declared Force Majeure on the seven licences.

Israel

Cairn has a 33.34% WI as Operator in eight licences offshore Israel alongside two JV partners, Ratio Oil Exploration (33.33% WI) and Pharos Energy PLC (33.33% WI). As part of the minimum work commitment, re-processing of the existing seismic data is planned with the aim of de-risking prospectivity in the awarded licences. In H1 2020, Cairn issued an invitation to tender for seismic re-processing. The contract was awarded to Downunder Geosolution in Q2 2020 and the project is ongoing at the moment.

India

The Arbitral Tribunal has indicated that it expects to be in a position to issue a ruling after the end of the summer of this year relating to the Bilateral Investment Treaty arbitration claim brought against the Government of India. Cairn continues to have a high level of confidence in the merits of its claims in the arbitration and is seeking full restitution for losses of more than US$1.4 billion resulting from: the expropriation of its investments in India in 2014; continued attempts to enforce retrospective tax measures; and the failure to treat the Company and its investments fairly and equitably. The Treaty affords strong provisions to enforce a successful award and a decision of the Tribunal under the terms of the Bilateral Investment Treaty is binding on both parties.

Outlook

Cairn’s exit from its interests in Norway and Senegal, together with swift re-alignment of our capital programme in early 2020, has given the Group strategic flexibility at a vital point in the commodity and industry cycle. We believe Cairn is strongly positioned to capture further opportunities for near term development, growth and cashflow. Cairn is focused on maintaining its track record of creating, capturing and returning value to shareholders.

Financial Review

Key Statistics

	Half Year ended 30 June 2020	Half Year ended 30 June 2019	Year ended 31 December 2019
Oil & Gas Production – net WI share (boepd) [1]	**22,866**	23,714	23,739
Oil & Gas Sales volumes (boepd) [2]	**23,695**	20,941	21,412
Average price per bbl before hedging (US$) [3]	**40.21**	67.84	65.70
Revenue from production (US$m)	**172.1**	257.1	504.2
Average production costs per boe (US$) [4]	**16.29**	16.78	17.38
Depletion and amortisation costs per boe (US$)	**25.82**	28.57	24.87
Net cash inflow from oil and gas production (US$m)	**132.0**	176.6	390.2
Net cash inflow from operating activities (US$m)	**136.3**	172.9	406.5

[1] Based on 20% Catcher production and 29.5% of Kraken production before deducting FlowStream's entitlement to Kraken volumes during the period of 1,570 boepd (HY 2019 1,475 boepd; YE 2019: 1,460 boepd)

[2] Working interest share of cargoes sold during the period, net of FlowStream entitlement

[3] before hedging gains of US$7.91/bbl (HY 2019: US$0.75/bbl; YE 2019 US$1.42/bbl); excludes gas sales

[4] Based on total production costs of US$67.7m (HY 2019: US$71.8m; YE 2019: US$150.5m), including total lease payments; see table below

Production

During H1 2020, production levels and uptimes on both Catcher and Kraken continued to be strong, with production interrupted only for a planned shut-down on Catcher. Catcher gross production averaged ~56,900 boepd (HY 2019: 70,200 boepd; FY 2019: ~67,200 boepd) gross for the year and Kraken averaged ~39,000 bopd (HY 2019 32,700 bopd; FY 2019: ~35,600 bopd). Net to Cairn, combined production for H1 2020 averaged ~22,900 boepd before adjusting for FlowStream entitlement.

Revenue

Revenue from hydrocarbon sales was US$172.1m (HY 2019 US$257.1m; FY 2019: US$504.2m), before adjusting for hedging gains of US$33.7m (HY 2019: US$2.9m; FY 2019: US$10.9m). The fall in revenue reflects the reduction in the oil price during the period due to oversupply from the "OPEC plus" group of producers combined with demand destruction resulting from the global COVID-19 pandemic. Oil sales realised US$40.21/bbl against an average Brent price of US$42.22/bbl for the period, before hedging gains of US$7.91/bbl. Release of deferred revenue in the period was US$8.9m (HY 2019: US$9.7m; FY 2019: US$17.2m) and FlowStream's share of Kraken oil production has reduced from 4.5% to 1.35%. Royalty income in Mongolia was US$0.2m (HY 2019: US$0.6m; FY 2019 US$1.1m). Total revenue combining hydrocarbon sales, hedging gains, release of deferred revenue and royalty income was therefore US$214.9m (HY 2019: US$270.3m; FY 2019: US$533.4m).

At 30 June 2020, Cairn had hedging contracts over 1.3m barrels during the period through to December 2020 and a further 0.3m barrels during 2021. 0.9m barrels have been hedged for 2020 using collar structures with a weighted average floor of US$60.0/bbl and an average ceiling of US$70.00/bbl, and 0.4m barrels have been hedged during the same period using swaps with a weighted average strike price of US$61.9/bbl. The 0.3m barrels of 2021 volumes are swaps with a weighted average strike price of US$42.9/bbl.

Cost of sales

Production costs included in the table above are calculated as follows:

	Half year ended 30 June 2020	Half year ended 30 June 2019	Year ended 31 December 2019
Production costs (US$m) (note 2.1)	**33.5**	33.5	68.1
Variable lease costs (US$m) (note 2.1)	**5.9**	10.1	25.6
Fixed lease costs for FPSOs (US$m) [1]	**28.3**	28.2	56.8
Total lease costs (US$m)	**34.2**	38.3	82.4
Total production costs (US$m)	**67.7**	71.8	150.5
Total production costs per boe (US$)	**16.29**	16.78	17.38
Of which, total lease costs per boe (US$)	**8.23**	8.94	9.51

[1]Fixed lease costs for FPSOs are included in total lease costs disclosed in note 3.2 which includes other non-FPSO fixed leases costs of US$1.3m

Variable lease costs in 2020 include additional credits received from the lessors following joint venture audits.

Movements in oil inventory and underlift positions, measured at market value, result in a US$30.8m charge for the period against cost of sales (HY 2019: credit of US$9.8m; FY 2019 credit of US$20.6m). Following a change in the Kraken marketing arrangements, Cairn now receives a working interest share of each cargo sold, thus the underlift position reflects the full reversal of the opening balance.

Net cash inflow for the Year

	US$m
Opening cash at 1 January 2020[1]	**146.5**
Net cash inflow from operations	**132.0**
Net proceeds of Capricorn Norge disposal	**104.7**
Development expenditure - Senegal	**(150.0)**
Development expenditure - UK[2]	**(17.2)**
Exploration expenditure	**(103.4)**
Pre-award costs and new venture activities[3]	**(9.4)**
Administration expenses, office leases and corporate assets	**(16.8)**
Net finance costs, equity and other movements	**(2.3)**
Closing cash at 30 June 2020	**84.1**

[1]Excludes cash balance of US$7.2m held by Capricorn Norge AS at 1 January 2020

[2]US$3.0m of lease reimbursements have been deducted from development expenditure

[3] Cash outflows on new venture activities of US$2.4m not relating to pre-award activities are reallocated from administration expenses

Reconciliation of statutory cash flow to cash inflow from operations:

	Cash inflow from operations US$m
Operating cash flow per statutory cash flow statement	**136.3**
Non-GAAP Adjustments:	
Administrative costs reallocated	**14.5**
Pre-award and new venture costs reallocated	**9.4**
FPSO fixed lease payments	**(28.5)**
Tax paid	**0.3**
Net cash inflow from operations	**132.0**

Cairn had cash balances of US$84.1m at 30 June 2020, representing a net cash outflow of US$62.4m over the period. No debt was drawn under the Group's RBL bank facility during the period.

Cairn completed the sale of the entire share capital of Capricorn Norge AS to Sval Energi in February 2020. Consideration received of US$105.2m was offset by transaction costs and cash transferred

US$2.7m. Current period exploration and development expenditure to the date of disposal of US$1.7m and US$3.3m respectively, are netted against the net cash inflows in the table above.

The majority of the cash outflows on exploration expenditure of US$103.4m in the period relate to Mexico where US$80.8m was incurred on the two exploration wells completed in the period (US$25m related to activity in 2019). Elsewhere, US$10.5m related to the Mauritania farm-in while the remaining US$12.1m was primarily incurred in Côte D'Ivoire prior to operations being suspended due to a COVID-19 related force majeure event.

Development cash outflows in Senegal relate to expenditure on the FPSO and sub-surface infrastructure. On Kraken, cash expenditure of US$10.0m related primarily to the completion of the Worcester satellite field development well. Catcher capital expenditure during the period was lower than forecast at US$7.2m with the Catcher North and Laverda development wells, originally planned in 2020, having been deferred.

Capital expenditure and Impairment on Oil and Gas Assets

	US$m
Opening oil and gas assets at 1 January 2020	**1,651.2**
Exploration and appraisal asset net additions[1]	**76.6**
Unsuccessful exploration costs – UK	**(19.6)**
Unsuccessful exploration costs – LATAM & East Atlantic	**(48.0)**
Development asset additions - Senegal	**145.9**
Impairment charge – Senegal exploration and development assets	**(206.6)**
Development and producing asset additions - UK	**32.4**
Depletion and amortisation – UK producing assets	**(107.5)**
Impairment charge – UK producing assets	**(32.7)**
Closing oil and gas assets at 30 June 2020	**1,491.7**

[1]Additions of US$78.1m net of disposals of US$1.5m

Exploration assets

Exploration and appraisal asset additions of US$76.6m include US$51.7m relating to exploration wells drilled in Mexico where the Block 9 Bitol-1 and Block 7 Ehecatl-1 wells were completed. Additions in the UK of US$6.3m include a swap agreed with Shell for licences containing the Jaws and Diadem prospects in the North Sea, with disposal proceeds of US$1.5m receivable as part of the agreement. US$10.5m was incurred in Mauritania where Cairn have applied for a renewal of the licence. The remaining US$9.6m was incurred across the Group's other exploration assets.

Unsuccessful costs in the UK relate to the Agar/Plantain discovery of 2017 which is no longer expected to proceed to development, with the Group intending to relinquish the licence. LATAM unsuccessful costs of US$47.8m relate to the two exploration wells offshore Mexico; Bitol-1 and Ehecatl-1.

Senegal

In July 2020, Cairn announced that it had entered into an agreement with LUKOIL to dispose of the Group's interests in Senegal subject to various conditions including the asset partners' pre-emption rights. Woodside, as operator of the project, exercised its right to pre-empt the original sales agreement with LUKOIL. The revised sale of Cairn's Senegal interests to Woodside was announced on 7 September. Under the terms of the deal, Cairn will receive initial consideration of US$300.0m plus reimbursement of capital expenditure incurred since 1 January 2020, after deducting opening working capital balances. Further deferred consideration of up to US$100.0m is receivable depending on the first oil date and the oil price at that time.

At 30 June the Senegal assets were tested for impairment against the fair vale of proceeds expected to be received from the sale of the asset, net of expenses of the disposal. A resulting impairment of US$206.6m was recorded across exploration and development assets in the cash-generating unit. Costs relating to Senegal were not reclassified as assets held-for-sale at the balance sheet date as the sale was not considered highly probable until the date of signing the sales agreement with LUKOIL in July.

Completion of the sale is expected in Q4 2020. At the year end, Cairn forecasts a loss on sale in excess of the impairment recorded at this time. At 30 June 2020 an impairment of the Senegal asset was assessed based on the US$300.0m initial consideration payable under the sale plus a probabilistic valuation of the US$100.0m deferred consideration; whereas following completion, the valuation will be remeasured under IFRS 15 and is not expected to include any element of deferred consideration, which can only be recognised at a time where it is highly probable not to reverse in a future period.

UK Development/Producing assets

Development additions in the year totalling US$32.4m include drilling the Worcester satellite field within the Kraken development area and a further Catcher development well. With the fall in oil prices observed over the first half of 2020, Cairn has tested assets for impairment at the reporting date. Cairn's long-term oil price assumption remains unchanged at Brent US$65/bbl, while the Group's three-year short-term assumption, based on the forward curve, resulted in average prices of US$35.2/bbl, US$39.5/bbl, US$42.7/bbl and US$57.2/bbl over H2 2020, 2021, 2022 and 2023 respectively.

The resultant impairment tests performed led to an impairment of the Kraken producing asset of US$32.7m. Sensitivity analysis on the Group's long-term oil price assumption is included within the notes to the financial statements.

Results for the period – Other operating income and expense

Other operating income and costs, administrative expenses and net finance costs

Continuing operations	**Half year ended 30 June 2020 US$m**	Half year ended 30 June 2019 US$m	Year ended 31 December 2019 US$m
Pre-award costs	(5.5)	(9.0)	(17.2)
Unsuccessful exploration costs	(67.6)	1.1	(107.0)
Administrative expenses	(16.9)	(17.1)	(32.3)
Current tax charge	(0.1)	(0.3)	(0.3)
Operational and administrative expenses	**(90.1)**	(25.3)	(156.8)
Loss on financial assets	**(1.8)**	(1.0)	(1.8)
Net finance income/(costs)	**9.5**	**(14.7)**	**(33.6)**

Unsuccessful exploration costs in 2020 relating to the UK and Mexico are noted above. Administrative expenses remain consistent with prior periods.

Net finance income in the six months to 30 June 2020 arises from exchange gains of US$21.3m (HY 2019: exchange loss of US$0.1m; FY 2019: exchange loss of US$4.7m) largely on inter-company funding and non-functional currency provisions for decommissioning, offset by borrowing costs, interest charges on leases and other finance charges.

Discontinued operations

Losses in the period from discontinued operations relating to Capricorn Norge AS were US$39.0m (HY 2019: US$6.4m; FY 2019: US$25.6m). This represented the final two months operating results prior to the completion of the sale of the subsidiary at the end of February and a profit of US$0.5m and the gain recognised on disposal at the date of completion of US$5.1m offset by cumulative exchange losses of US$44.6m recycled from equity reserves to the Income Statement.

Taxation

During the period, Cairn made a UK ring fence profit which was fully offset by brought forward losses and other temporary differences. At 30 June 2020, Cairn had total UK ring fence losses of US$524.1m and supplementary charge tax losses of US$433.1m. All of the UK ring fence losses (at the applicable tax rate of 30%) and supplementary charge tax losses (at the applicable tax rate of 10%) as well as activated UK investment allowance and decommissioning liabilities of US$675.8m and US$16.2m respectively) are recognised as deferred tax assets only to the extent they fully offset the deferred tax liabilities of US$274.6m. The remainder of the decommissioning liability represents an unrecognised deferred tax asset of US$120.8m at 30 June 2020.

With regard to the Indian Tax dispute, the Arbitration Tribunal has indicated that whilst it has encountered some difficulties due to the COVID-19 pandemic, it does not expect significant delays and expects a "release of the Award after the end of the summer". Cairn continues to have a high level of confidence in its claim against India under the arbitration and is seeking full restitution for losses of more the US$1.4 billion.

Going Concern

In preparing the interim financial statements, the directors considered the Group cash flow forecasts under various scenarios. Taking into account the Group's opportunities to actively manage its licence portfolio and planned capital allocation, and its ability to access existing or additional banking facilities, the directors are satisfied that it is appropriate to prepare the interim financial statements on a going concern basis.

Principal risks and uncertainties

Managing the Group's key risks and associated opportunities is essential to Cairn's long- term success and sustainability. The Group endeavours to pursue investment opportunities which offer an appropriate level of return whilst ensuring the level of associated political, commercial and technical risk remains within the defined risk appetite of the Group.

The Group's risk management framework provides a systematic process for the identification and management of the key risks and opportunities which may affect the delivery of the Group's strategic objectives. Key Performance Indicators are set annually, and determining the level of risk the Group is willing to accept in the pursuit of these objectives is a fundamental component of the Group's risk management framework.

Overall responsibility for the system of risk management and internal control and reviewing the effectiveness of such systems rests with the Board. Principal risks, as well as progress against key risk projects, are reviewed at each Board meeting and at least once a year the Board undertakes a risk workshop to review the Group's principal risks. This integrated approach to risk management has been and continues to be critical to the delivery of strategic objectives.

Responding to Changing Risks during H1 2020

Cairn has assessed the risks and uncertainties at the end of H1 2020 and the principal risks are:

- Volatile oil and gas prices
- Inability to secure or recover value from the Bilateral Investment Treaty arbitration with India
- Underperformance on Kraken and Catcher assets
- Lack of exploration success
- Failure to secure new venture opportunities
- Climate change policy and its impact on energy transition
- Failure to achieve full funding solution for Senegal in the event that the Senegal asset sale does not complete
- Misalignments with JV operators
- Lack of adherence to health, safety, environment and security policies
- Fraud, bribery and corruption
- Political and fiscal uncertainties
- Diminished access to debt markets

As part of the embedded risk management process, the Group actively considers emerging risks and threats which could impact on the business. In H1 2020, the Group identified the increasing threat from COVID-19 as an emerging risk which would have to actively assessed and managed. The safety and protection of personnel has remained Cairn's priority throughout the coronavirus pandemic and the Group closely follows Government advice and guidance as well as working with local health authorities in the countries where we operate. The risk has been actively managed, and the Group have not experienced any material health, safety or operational impacts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors' confirm that these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss for the period and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Cairn Energy PLC are listed in the Cairn Energy PLC Annual Report for 31 December 2019, with the exception of the following changes in the period: Mr Todd Hunt retired on 15 May 2020 and Mr Erik Daugbjerg was appointed on 15 May 2020. A list of current directors is maintained on the Cairn Energy PLC website: www.cairnenergy.com

By order of the Board.

Simon Thomson	**James Smith**
Chief Executive	Chief Financial Officer
28 September 2020	28 September 2020

Independent review report to Cairn Energy PLC

Report on the consolidated financial statements

Our conclusion

We have reviewed Cairn Energy PLC's consolidated financial statements (the "interim financial statements") in the half-year report of Cairn Energy PLC for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the group balance sheet as at 30 June 2020;
- the group income statement and group statement of comprehensive income for the period then ended;
- the group statement of cash flows for the period then ended;
- the group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-year report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-year report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
28 September 2020

Cairn Energy PLC
Financial Statements
For the six months ended 30 June 2020

Contents

Cairn Energy PLC

Group Income Statement

For the six months ended 30 June 2020

	Note	**30 June 2020 (unaudited) US$m**	30 June 2019 (unaudited) (restated) US$m	31 December 2019 (audited) US$m
Continuing operations				
Revenue	2.1	**214.9**	270.3	533.4
Cost of sales	2.1	**(70.2)**	(33.8)	(73.1)
Depletion and amortisation	2.3	**(107.5)**	(122.6)	(217.2)
Gross profit		**37.2**	113.9	243.1
Pre-award costs		**(5.5)**	(9.0)	(17.2)
Unsuccessful exploration costs	2.2	**(67.6)**	1.1	(107.0)
Administrative expenses		**(16.9)**	(17.1)	(32.3)
Impairment of intangible exploration/appraisal assets	2.2	**(144.7)**	-	-
(Impairment)/Reversal of impairment of property, plant & equipment – development/producing assets	2.3	**(94.6)**	-	147.3
Impairment of goodwill		**-**	-	(79.0)
Operating (loss)/profit		**(292.1)**	88.9	154.9
Loss on financial assets at fair value through profit or loss		**(1.8)**	(1.0)	(1.8)
Finance income	4.2	**22.0**	2.1	3.0
Finance costs	4.3	**(12.5)**	(16.8)	(36.6)
(Loss)/Profit before taxation from continuing operations		**(284.4)**	73.2	119.5
Tax charge – current tax charge		**(0.1)**	(0.3)	(0.3)
(Loss)/Profit from continuing operations		**(284.5)**	72.9	119.2
Loss from discontinued operations	6.1	**(39.0)**	(6.4)	(25.6)
(Loss)/Profit for the period attributable to equity holders of the Parent		**(323.5)**	66.5	93.6
Earnings per share for (loss)/profit from continuing operations:				
(Loss)/Profit per ordinary share – basic (cents)	4.4	**(48.84)**	12.55	20.48
(Loss)/Profit per ordinary share – diluted (cents)	4.4	**(48.84)**	12.45	20.27
Earnings per share for (loss)/profit attributable to equity holders of the Parent:				
(Loss)/Profit per ordinary share – basic (cents)	4.4	**(55.54)**	11.44	16.08
(Loss)/Profit per ordinary share – diluted (cents)	4.4	**(55.54)**	11.35	15.92

Cairn Energy PLC

Group Statement of Comprehensive Income

For the six months ended 30 June 2020

	Note	**30 June 2020 (unaudited) US$m**	30 June 2019 (unaudited) US$m	31 December 2019 (audited) US$m
(Loss)/Profit for the period attributable to equity holders of the Parent		**(323.5)**	66.5	93.6
Other Comprehensive Income – items that may be recycled to the Income Statement				
Fair value on hedge options	3.4	**58.7**	(25.3)	(29.7)
Hedging gain recycled to the Income Statement	2.1	**(33.7)**	(2.9)	(10.9)
Currency translation differences		**(16.3)**	2.7	0.4
Currency translation differences recycled on disposal of subsidiary	6.1	**44.6**	-	-
Other Comprehensive Income/(Expense) for the period		**53.3**	(25.5)	(40.2)
Total Comprehensive (Expense)/Income for the period attributable to equity holders of the Parent		**(270.2)**	41.0	53.4

Cairn Energy PLC

Group Balance Sheet

As at 30 June 2020

	Note	**30 June 2020 (unaudited) US$m**	30 June 2019 (unaudited) US$m	31 December 2019 (audited) US$m
Non-current assets				
Intangible exploration/appraisal assets	2.2	**110.2**	660.7	245.9
Property, plant & equipment – development/producing assets	2.3	**1,381.5**	1,118.4	1,405.3
Intangible assets – goodwill		**-**	126.4	-
Other property, plant & equipment and intangible assets		**12.3**	15.9	13.6
Derivative financial instruments	3.4	**-**	2.6	-
		1,504.0	1,924.0	1,664.8
Current assets				
Inventory		**6.1**	12.4	13.8
Financial assets at fair value through profit or loss		**3.3**	5.9	5.1
Cash and cash equivalents		**84.1**	57.8	146.5
Trade and other receivables	3.3	**108.9**	128.0	111.2
Derivative financial instruments	3.4	**26.4**	13.8	4.1
Income tax asset		**-**	46.9	-
		228.8	264.8	280.7
Assets held-for-sale	6.1	**-**	-	143.5
Total assets		**1,732.8**	2,188.8	2,089.0
Current liabilities				
Loans and borrowings	3.1	**-**	31.5	-
Lease liabilities	3.2	**43.4**	53.6	43.1
Derivative financial instruments	3.4	**-**	-	1.6
Trade and other payables	3.5	**115.7**	105.7	134.6
Deferred revenue	3.6	**5.0**	17.7	16.9
Provisions – other		**-**	2.8	-
		164.1	211.3	196.2
Non-current liabilities				
Provisions – decommissioning	2.4	**139.0**	148.4	141.2
Loans and borrowings	3.1	**-**	58.9	-
Lease liabilities	3.2	**218.4**	249.8	239.8
Deferred revenue	3.6	**21.7**	25.4	18.7
Deferred tax liabilities	5.1	**-**	57.6	-
		379.1	540.1	399.7
Liabilities held-for-sale	6.1	**-**	-	37.6
Total liabilities		**543.2**	751.4	633.5
Net assets		**1,189.6**	1,437.4	1,455.5
Equity attributable to equity holders of the Parent				
Called-up share capital		**12.6**	12.6	12.6
Share premium		**489.8**	489.7	489.8
Shares held by ESOP/SIP Trusts		**(15.4)**	(17.2)	(15.8)
Foreign currency translation		**(161.8)**	(187.8)	(190.1)
Merger and capital reserves		**40.8**	296.7	296.7
Hedge reserve		**25.4**	12.8	0.4
Retained earnings		**798.2**	830.6	861.9
Total equity		**1,189.6**	1,437.4	1,455.5

Cairn Energy PLC

Group Statement of Cash Flows

For the six months ended 30 June 2020

	30 June 2020 (unaudited) US$m	30 June 2019 (unaudited) US$m	31 December 2019 (audited) US$m
Cash flows from operating activities			
(Loss)/Profit before taxation from continuing operations	**(284.4)**	73.2	119.5
Loss before tax from discontinued operations	**(2.1)**	(29.8)	(115.6)
(Loss)/Profit before tax including discontinued operations	**(286.5)**	43.4	3.9
Release of deferred revenue	**(8.9)**	(9.7)	(17.2)
Unsuccessful exploration costs	**67.6**	25.2	145.7
Depreciation, depletion and amortisation charges	**110.6**	125.2	223.2
Share-based payments charge	**4.8**	6.3	11.9
Impairment of intangible exploration/appraisal assets	**144.7**	-	-
Impairment/(Reversal of impairment) of property, plant & equipment – development/producing assets	**94.6**	-	(147.3)
Impairment of goodwill	**-**	-	79.0
Impairment of disposal group non-current assets	**-**	-	65.7
Loss on financial assets at fair value through profit or loss	**1.8**	1.0	1.8
Gain on disposal of intangible exploration/appraisal assets	**-**	-	(0.7)
Finance income	**(22.0)**	(2.2)	(3.4)
Finance costs	**12.8**	18.1	43.4
Income tax refund received relating to operating activities	**-**	-	2.3
Income tax paid	**(0.3)**	-	(0.5)
Inventory movement	**7.7**	(4.2)	(5.6)
Trade and other receivables movement	**-**	(26.3)	2.2
Trade and other payables movement	**9.4**	(3.9)	4.9
Other provisions movement	**-**	-	(2.8)
Net cash flows from operating activities	**136.3**	172.9	406.5
Cash flows from investing activities			
Expenditure on intangible exploration/appraisal assets	**(105.1)**	(89.5)	(194.6)
Expenditure on property, plant & equipment - development/producing assets	**(173.5)**	(45.4)	(75.5)
Proceeds on disposal of property, plant & equipment - development/producing assets	**-**	-	77.1
Purchase of other property, plant & equipment and intangible assets	**(1.2)**	(2.5)	(5.0)
Proceeds on disposal of subsidiary	**105.2**	-	-
Costs incurred on disposal of subsidiary	**(0.5)**	-	-
Cash and cash equivalents of subsidiary disposed of	**(2.2)**	-	-
Income tax refund received relating to investing activities	**-**	-	28.6
Interest received and other finance income	**0.8**	2.0	3.2
Net cash flows used in investing activities	**(176.5)**	(135.4)	(166.2)
Cash flows from financing activities			
Other interest and charges	**(4.9)**	(8.0)	(13.9)
Proceeds from borrowings	**-**	32.9	47.4
Repayment of borrowings	**-**	(45.0)	(134.0)
(Cost of shares purchased)/Proceeds from issue of shares	**(0.5)**	-	0.1
Lease payments	**(29.6)**	(30.0)	(59.5)
Lease reimbursements	**3.0**	5.1	7.0
Net cash flows used in financing activities	**(32.0)**	(45.0)	(152.9)
Net (decrease)/increase in cash and cash equivalents	**(72.2)**	(7.5)	87.4
Opening cash and cash equivalents at the beginning of the period	**153.7**	66.3	66.3
Foreign exchange differences	**2.6**	(1.0)	-
Closing cash and cash equivalents	**84.1**	57.8	153.7

Cairn Energy PLC

Group Statement of Changes in Equity

For the six months ended 30 June 2020

	Equity share capital and share premium US$m	Shares held by ESOP/ SIP Trusts US$m	Foreign currency translation US$m	Merger and capital reserves US$m	Hedge reserve US$m	Retained earnings US$m	**Total equity US$m**
At 1 January 2019	502.3	(19.6)	(190.5)	296.7	41.0	760.2	1,390.1
Profit for the year	-	-	-	-	-	93.6	93.6
Fair value on hedge options	-	-	-	-	(29.7)	-	(29.7)
Hedging gain recycled to the Income Statement	-	-	-	-	(10.9)	-	(10.9)
Currency translation differences	-	-	0.4	-	-	-	0.4
Total comprehensive income/(expense)	-	-	0.4	-	(40.6)	93.6	53.4
Share-based payments	-	-	-	-	-	11.9	11.9
Exercise of employee share options	0.1	-	-	-	-	-	0.1
Cost of shares vesting	-	3.8	-	-	-	(3.8)	-
At 31 December 2019	502.4	(15.8)	(190.1)	296.7	0.4	861.9	1,455.5
Loss for the period	-	-	-	-	-	(323.5)	**(323.5)**
Fair value on hedge options	-	-	-	-	58.7	-	**58.7**
Hedging gain recycled to the Income Statement	-	-	-	-	(33.7)	-	**(33.7)**
Currency translation differences	-	-	(16.3)	-	-	-	**(16.3)**
Currency translation differences recycled on disposal of subsidiary	-	-	44.6	-	-	-	**44.6**
Total comprehensive income/(expense)	-	-	28.3	-	25.0	(323.5)	**(270.2)**
Merger reserve transferred to retained earnings	-	-	-	(255.9)	-	255.9	**-**
Share-based payments	-	-	-	-	-	4.8	**4.8**
Cost of shares purchased	-	(0.5)	-	-	-	-	**(0.5)**
Cost of shares vesting	-	0.9	-	-	-	(0.9)	**-**
At 30 June 2020	**502.4**	**(15.4)**	**(161.8)**	**40.8**	**25.4**	**798.2**	**1,189.6**

Cairn Energy PLC

Group Statement of Changes in Equity (continued)

For the six months ended 30 June 2019

	Equity share capital and share premium US$m	Shares held by ESOP/ SIP Trusts US$m	Foreign currency translation US$m	Merger and capital reserves US$m	Hedge reserve US$m	Retained earnings US$m	Total equity US$m
At 1 January 2019	502.3	(19.6)	(190.5)	296.7	41.0	760.2	1,390.1
Profit for the period	-	-	-	-	-	66.5	66.5
Fair value on hedge options	-	-	-	-	(25.3)	-	(25.3)
Hedging gain recycled to the Income Statement	-	-	-	-	(2.9)	-	(2.9)
Currency translation differences	-	-	2.7	-	-	-	2.7
Total comprehensive income	-	-	2.7	-	(28.2)	66.5	41.0
Share-based payments	-	-	-	-	-	6.3	6.3
Cost of shares vesting	-	2.4	-	-	-	(2.4)	-
At 30 June 2019	502.3	(17.2)	(187.8)	296.7	12.8	830.6	1,437.4

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 2020 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 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 2019, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

This half-yearly report was approved by the Directors on 28 September 2020.

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 2019, on which the auditors gave an unqualified audit report, which did not contain an emphasis of matter paragraph or 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 2020, and uses the same accounting and financial risk management policies and methods of computation as those applied for the year ended 31 December 2019, other than changes to accounting policies resulting from the adoption of new or revised accounting standards.

Comparative results for the six months ended 30 June 2019 have been restated to disclose the results of Capricorn Norge AS as discontinued operations. See note 6.1.

Changes to IFRS effective 1 January 2020 have no significant impact on Cairn's accounting policies or Financial Statements.

Significant key estimates and assumptions are unchanged from those applied in the year ended 31 December 2019 and the same have accordingly been applied here, except as noted below.

In performing impairment tests on the Group's assets, key assumptions and estimates are largely consistent with those applied at 31 December, with the Group's three-year short-term oil price assumption equal to the weighted average of the preceding three-month forward curve and the long-term assumption maintained at US$65 real. On Kraken, the improved performance on the FPSO, witnessed in 2019, continued through the first six months of 2020. The Group's assumption on the availability of the asset has therefore increased from 85% to 90% and now aligns with the Catcher asset.

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 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 and contracted commitments as and when they fall due for a period of at least 12 months from the date of signing these Financial Statements. This includes scenarios run to take account of a prolonged economic downturn as a result of COVID-19 and the resultant demand-side impact forecast on oil prices which have led to a significant decrease in oil prices in the first six months of 2020.

The Directors have a reasonable expectation that the Group will continue in operational existence for this 12-month period and have therefore used the going concern basis in preparing the Financial Statements.

Section 2 – Oil and Gas Assets and Operations

2.1 Gross Profit: Revenue and Cost of Sales

	Six months ended 30 June 2020 US$m	Six months ended 30 June 2019 US$m	Year ended 31 December 2019 US$m
Oil sales	**171.6**	255.4	501.6
Gas sales	**0.5**	1.7	2.6
Gain on hedge options	**33.7**	2.9	10.9
Release of deferred revenue (note 3.6)	**8.9**	9.7	17.2
Revenue from oil and gas sales	**214.7**	269.7	532.3
Royalty income	**0.2**	0.6	1.1
Total revenue	**214.9**	270.3	533.4
Production costs	**(33.5)**	(33.5)	(68.1)
Oil inventory and overlift/underlift adjustment	**(30.8)**	9.8	20.6
Variable lease charges	**(5.9)**	(10.1)	(25.6)
Cost of sales	**(70.2)**	(33.8)	(73.1)
Depletion and amortisation (note 2.3)	**(107.5)**	(122.6)	(217.2)
Gross profit	**37.2**	113.9	243.1

During the six months to 30 June 2020 the Group produced 4.1 mmboe (30 June 2019: 4.2 mmboe; 31 December 2019: 8.7 mmboe). Oil sales in the period achieved an average price of US$40.21/bbl (30 June 2019: US$67.84/bbl, 31 December 2019: US$65.70/bbl). Including gas sales, average prices reduced slightly to US$39.89/boe (30 June 2019: US$66.23/boe; 31 December 2019: US$64.52/boe).

Hedging gains on oil sales were US$7.91/bbl (30 June 2019: US$0.75/bbl; 31 December 2019 US$1.42/bbl).

The lower oil price realised in the period to date reflects the fall in oil prices from reduced demand as a result of COVID-19 and oversupply in the global market. The Group's operations continued as planned during the six months to June 2020 and there were no sustained interruptions to production as a result of COVID-19.

Section 2 – Oil and Gas Assets and Operations (continued)

2.2 Intangible Exploration/Appraisal Assets

	Senegal US$m	UK (restated) US$m	Norway (restated) US$m	LATAM US$m	East Atlantic US$m	**Total US$m**
Cost						
At 1 January 2019	463.0	89.5	35.8	32.7	36.8	657.8
Foreign exchange	-	-	0.3	-	-	0.3
Additions	21.5	4.1	16.5	37.2	11.2	90.5
Unsuccessful exploration costs	-	1.7	-	-	(0.6)	1.1
Unsuccessful exploration costs – discontinued operations	-	-	(26.3)	-	-	(26.3)
At 30 June 2019	484.5	95.3	26.3	69.9	47.4	723.4
Foreign exchange	-	-	(0.7)	-	-	(0.7)
Additions	37.4	(0.2)	16.9	71.1	8.3	133.5
Unsuccessful exploration costs	-	(7.6)	-	(84.7)	(30.4)	(122.7)
Unsuccessful exploration costs – discontinued operations	-	-	(12.4)	-	-	(12.4)
Transfer to development/producing assets	(378.8)	(30.3)	-	-	-	(409.1)
Transfer to assets held-for-sale	-	-	(30.1)	-	-	(30.1)
At 31 December 2019	143.1	57.2	-	56.3	25.3	**281.9**
Additions	1.6	6.3	-	52.9	17.3	**78.1**
Unsuccessful exploration costs	-	(19.6)	-	(47.8)	(0.2)	**(67.6)**
Disposal	-	(1.5)	-	-	-	**(1.5)**
At 30 June 2020	**144.7**	**42.4**	**-**	**61.4**	**42.4**	**290.9**
Impairment						
At 1 January 2019, 30 June 2019	-	48.1	-	-	14.6	62.7
Unsuccessful exploration costs	-	-	-	-	(14.6)	(14.6)
Transfer to development/producing assets	-	(12.1)	-	-	-	(12.1)
At 31 December 2019	**-**	36.0	-	**-**	**-**	**36.0**
Impairment charge	144.7	-	-	-	-	**144.7**
At 30 June 2020	**144.7**	**36.0**	**-**	**-**	**-**	**180.7**
Net book value						
At 30 June 2019	484.5	47.2	26.3	69.9	32.8	660.7
At 31 December 2019	143.1	21.2	-	56.3	25.3	245.9
At 30 June 2020	**-**	**6.4**	**-**	**61.4**	**42.4**	**110.2**

All additions to intangible exploration/appraisal assets were funded through cash and working capital other than a further US$0.7m provided in relation to abandonment provisions and US$0.9m of additions relating to asset swaps.

Senegal
Exploration assets were fully impaired at 30 June 2020. See note 2.3.

UK
Additions in the period of US$6.3m include the non-operated licence P2380 containing the Jaws prospect. A 50% interest in this licence was obtained through a swap for a 50% interest in the licence P2379 containing the Diadem prospect. The Agar-Plantain licence is intended to be relinquished when it expires in 2021 and US$19.2m was charged to the Income Statement as unsuccessful costs.

LATAM
Additions in the period include US$51.7m incurred in Mexico. During 2020 the non-operated Block 9 Bitol-1 and Block 7 Ehecatl-1 exploration wells were drilled with additions of US$30.3m and US$16.0m incurred respectively. Both wells were declared unsuccessful and US$47.8m charged to the Income Statement. The second planned exploration well on Block 7 was delayed until 2021 due to COVID-19.

Additions during the period include US$12.2m incurred on short-term lease costs.

Section 2 – Oil and Gas Assets and Operations (continued)

2.2 Intangible Exploration/Appraisal Assets (continued)

East Atlantic
Additions in the period of US$17.3m includes US$10.5m in Mauritania. The initial licence has expired following the operator's withdrawal, but Cairn have applied for a renewal. A further US$6.0m was incurred in Côte d'Ivoire across its seven non-operated licences.

Impairment review
At 30 June 2020, Cairn reviewed its intangible exploration/appraisal assets for indicators of impairment, and where indicators were identified, performed impairment tests. Subsequent impairment tests performed on the Group's Senegal assets resulted in full impairment of exploration costs. No indicators of impairment were identified on the Group's remaining UK, LATAM or East Atlantic exploration licences.

2.3 Property, Plant & Equipment – Development/Producing Assets

	Senegal US$m	UK (restated) US$m	UK right-of-use leased assets US$m	Norway (restated) US$m	**Total US$m**
Cost					
At 1 January 2019	-	1,093.4	313.4	122.2	1,529.0
Foreign exchange	-	-	-	1.9	1.9
Additions	-	12.2	0.3	27.7	40.2
Increase in decommissioning asset	-	24.7	-	3.8	28.5
At 30 June 2019	-	1,130.3	313.7	155.6	1,599.6
Foreign exchange	-	-	-	(7.7)	(7.7)
Additions	-	4.1	(0.3)	22.5	26.3
(Decrease)/Increase in decommissioning asset	-	(13.9)	2.9	0.7	(10.3)
Transfer from exploration/appraisal assets	378.8	18.2	-	-	397.0
Disposals	-	-	-	(82.1)	(82.1)
Transfer to asset held-for-sale	-	-	-	(89.0)	(89.0)
At 31 December 2019	378.8	1,138.7	316.3	**-**	**1,833.8**
Additions	145.9	27.5	-	**-**	**173.4**
Increase in decommissioning asset	-	4.9	-	-	**4.9**
At 30 June 2020	**524.7**	**1,171.1**	**316.3**	**-**	**2,012.1**
Depletion, amortisation and impairment					
At 1 January 2019	-	336.9	21.7	-	358.6
Depletion and amortisation charges	-	88.8	33.8	-	122.6
At 30 June 2019	-	425.7	55.5	-	481.2
Depletion and amortisation charges	-	71.9	22.7	-	94.6
Reversal of impairment	-	(147.3)	-	-	(147.3)
At 31 December 2019	-	350.3	78.2	**-**	**428.5**
Depletion and amortisation	-	81.9	25.6	**-**	**107.5**
Impairment charge	61.9	32.7	-	**-**	**94.6**
At 30 June 2020	**61.9**	**464.9**	**103.8**	**-**	**630.6**
Net book value					
At 30 June 2019	-	704.6	258.2	155.6	1,118.4
At 31 December 2019	378.8	788.4	238.1	-	1,405.3
At 30 June 2020	**462.8**	**706.2**	**212.5**	**-**	**1,381.5**

Additions during the period of US$173.4m relate to development activity funded through cash and working capital and include US$9.5m costs under short-term leases.

Section 2 – Oil and Gas Assets and Operations (continued)

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

Senegal
Additions in Senegal of US$145.9m relate principally to the FPSO facility and the subsea construction for the Sangomar field development.

UK
Additions of US$27.5m consist of Kraken additions of US$18.2m, including costs of the Worcester well, and Catcher additions of US$9.3m, where the Varadero infill well and subsea installation were completed in the period. Drilling of the Catcher North and Laverda development wells have been delayed due to COVID-19 uncertainties.

Impairment review
Impairment reviews on the Group's development/producing assets are conducted at each reporting date. The Group's development/producing assets were reviewed for indicators of impairment at 30 June 2020 and indicators of impairment were identified on all of the development/producing assets due to the fall in the oil price observed over the six month period to 30 June.

Impairment tests were performed on the Senegal cash-generating unit with the recoverable value of the asset estimated on the risk-weighted expected cash flows expected from the sale of the asset announced on 27 July 2020 (see note 6.3). The impairment tests performed identified an impairment charge of US$61.9m recorded against development assets and a further US$144.7m against exploration assets which were impaired in full.

Impairment tests performed on the UK producing assets identified impairment of the Kraken asset. The impairment charge of US$32.7m reflects the fall in the short-term oil price assumption based on the forward curve. No impairment was identified on Catcher.

Sensitivity analysis on the Group's impairment tests can be found in note 2.6.

2.4 Decommissioning Provisions

	Exploration well abandonment US$m	Development/ Producing assets US$m	**Total US$m**
At 1 January 2019	1.3	117.8	119.1
Foreign exchange	-	(0.4)	(0.4)
Unwinding of discount	-	1.2	1.2
Provided in the period	-	28.5	28.5
At 30 June 2019	1.3	147.1	148.4
Foreign exchange	0.1	6.1	6.2
Unwinding of discount	-	1.4	1.4
Released in the period	-	(10.3)	(10.3)
Released on disposal	-	(1.8)	(1.8)
Transferred to liabilities held-for-sale	-	(2.7)	(2.7)
At 31 December 2019	1.4	139.8	**141.2**
Foreign exchange	(0.1)	(9.1)	**(9.2)**
Unwinding of discount	-	1.4	**1.4**
Provided in the period	0.7	4.9	**5.6**
At 30 June 2020	**2.0**	**137.0**	**139.0**

At 30 June 2020, the decommissioning estimates for the Kraken and Catcher producing assets has increased by US$4.9m to reflect the additional decommissioning costs for the wells drilled during the current period.

The decommissioning of the Group's development/producing assets is forecast to occur between 2026 and 2043.

Section 2 – Oil and Gas Assets and Operations (continued)

2.5 Capital Commitments

Oil and gas expenditure:	**At 30 June 2020 US$m**	At 30 June 2019 US$m	At 31 December 2019 US$m
Intangible exploration/appraisal assets			
Senegal	**3.9**	43.3	6.2
UK	**42.7**	13.5	40.4
Norway	**-**	35.2	-
LATAM	**16.3**	86.8	37.9
East Atlantic	**5.9**	15.6	12.2
	68.8	194.4	96.7
Property, plant & equipment – development/producing assets			
Senegal	**870.3**	-	396.4
UK	**39.7**	5.0	63.6
Norway	**-**	35.0	-
	910.0	40.0	460.0
Contracted for	**978.8**	234.4	556.7

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.

Capital commitments as at 30 June 2020 relating to UK assets include well commitments on licences containing the Jaws and Diadem prospects. LATAM capital commitments predominantly relate to Mexico and a second well on Block 7. East Atlantic capital commitments of US$5.9m include commitments in Côte d'Ivoire where seismic activity is currently suspended due to COVID-19.

Capital commitments for development/producing assets in Senegal relate to the purchase of the FPSO and other committed drilling and subsea installation costs. Cairn will be released from these commitments on completion of the sale of the asset (see note 6.3). In the UK commitments include the planned drilling of satellite wells in the Greater Catcher area which Cairn, along with joint operation partners, have deferred until 2021 of due to COVID-19 uncertainties.

2.6 Impairment Testing Sensitivity Analysis

Impairment tests performed on the Group's intangible exploration/appraisal assets and property, plant & equipment-development/producing assets identified impairment on the Senegal cash-generating unit, with a charge of US$61.9m against development assets and exploration assets impaired in full, and against the Group's UK Kraken producing asset. As the recoverable value of Senegal is based on risk-weighted cash flows expected from the sale of the asset, no further sensitivity analysis has been performed.

For UK producing assets, sensitivity analysis has been performed on the Group's long-term oil price assumption. The Group reduced its long-term assumption to US$65/bbl as at 31 December 2019 and this assumption is maintained at the current balance sheet date. Cairn have run sensitives using long term oil prices of US$60/bbl and US$55/bbl together with a sensitivity aligning the long-term oil price to that observed at the end of the Group's three-year, forward curve-based short-term assumption of ~US$45/bbl. The impact on the carrying value of development/producing assets is shown below.

Reduction in long-term oil price assumption to:	**US$60/bbl US$m**	**US$55/bbl US$m**	**Forward Curve US$m**
Reduction in carrying value of development/producing assets	**59.6**	**128.9**	**271.4**

Section 3 – Working Capital, Financial Instruments and Long-Term Liabilities

3.1 Loans and Borrowings

Cairn has one loan facility at 30 June 2020, the Reserve-Based Lending ('RBL') facility, available to several Group companies.

The Group's RBL facility was undrawn as at 30 June 2020 (31 December 2019: undrawn; 30 June 2019: US$50.8m drawn) and throughout the six months ending 30 June 2020. At 30 June 2020, the maximum available to draw under the facility was US$141.0m.

The Group's Norwegian Exploration Finance Facility was included in the disposal of Capricorn Norge AS in February 2020 and no longer forms part of the Group's borrowing facilities.

3.2 Lease Liabilities

Reconciliation of opening and closing liabilities to cash flow movements:	**Six months ended 30 June 2020 US$m**	Six months ended 30 June 2019 US$m	Year ended 31 December 2019 US$m
Opening finance lease liability brought forward	**282.9**	165.4	165.4
IFRS 16 opening balance adjustment	**-**	157.5	157.5
Revised opening lease liabilities	**282.9**	322.9	322.9
Leases commenced and revisions to leases in period:			
Revisions to lease liabilities	**-**	0.4	0.4
	-	0.4	0.4
Lease payments disclosed in the Cash Flow Statement as financing cash flows:			
Total lease payments	**(35.5)**	(40.1)	(85.1)
Variable lease payments	**5.9**	10.1	25.6
	(29.6)	(30.0)	(59.5)
Other movements disclosed in the Cash Flow Statement:			
Reimbursements received from lessors	**3.0**	5.1	7.0
Non-cash Movements			
Reimbursements due transferred from other receivables	**(1.0)**	(3.0)	(3.0)
Lease interest charges	**6.9**	7.9	15.3
Foreign exchange	**(0.4)**	0.1	0.4
Transferred to liabilities held-for-sale	**-**	-	(0.6)
	5.5	5.0	12.1
Closing liabilities	**261.8**	303.4	282.9
Amounts due less than one year:			
Tangible development/producing assets – right-of-use assets	**41.4**	51.7	41.0
Other property, plant & equipment – right-of-use assets	**2.0**	1.9	2.1
	43.4	53.6	43.1
Amounts due greater than one year:			
Tangible development/producing assets – right-of-use assets	**214.0**	242.8	234.0
Other property, plant & equipment – right-of-use assets	**4.4**	7.0	5.8
	218.4	249.8	239.8
Total lease liabilities	**261.8**	303.4	282.9

Section 3 – Working Capital, Financial Instruments and Long-Term Liabilities (continued)

3.2 Lease Liabilities (continued)

Variable lease costs are disclosed in note 2.1. Amortisation charges on right-of-use assets relating to tangible development/producing assets are disclosed in note 2.3. Depreciation charges on other right-of-use assets are disclosed in note 4.1. Costs relating to short-term leases and leases of low value assets, relating to exploration and development activities are disclosed in notes 2.2 and 2.3 where material. There are no further material short-term leases or charges for leases of low-value assets.

The carrying value of right-of-use development/producing assets at 30 June 2020 is US$212.5m (see note 2.3) and the carrying value of right-of-use assets included in other property, plant & equipment is US$5.7m.

3.3 Trade and Other Receivables

	At 30 June 2020 US$m	At 30 June 2019 US$m	At 31 December 2019 US$m
Trade receivables	**29.7**	59.1	22.3
Other receivables	**12.7**	12.2	9.0
Accrued income – underlift	**-**	5.9	15.1
Prepayments	**14.4**	7.4	14.0
Joint operation receivables	**52.1**	43.4	50.8
	108.9	128.0	111.2

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

3.4 Derivative Financial Instruments

	At 30 June 2020 US$m	At 30 June 2019 US$m	At 31 December 2019 US$m
Non-current assets			
Financial assets – hedge options maturing after one year	**-**	2.6	-
Current assets			
Financial assets – hedge options maturing within one year	**26.4**	13.8	4.1
Current liabilities			
Financial liabilities – hedge options maturing within one year	**-**	-	(1.6)
	26.4	16.4	2.5

Cairn currently has an active commodity price hedging programme in place to protect debt capacity and support committed capital programmes. Mark-to-market gains on oil price hedge options are recorded as financial assets at 30 June 2020. During the six months to 30 June 2020 Cairn entered into a further swap of ~0.3m barrels to hedge a portion of production forecast throughout 2021. Options maturing after 30 June 2021 have a fair value of US$nil at the balance sheet date.

Section 3 – Working Capital, Financial Instruments and Long-Term Liabilities (continued)

3.4 Derivative Financial Instruments (continued)

Hedge options outstanding at the period end	**At 30 June 2020**	At 30 June 2019	At 31 December 2019
Volume of oil production hedged	**1.6 mmbls**	3.4 mmbls	2.8 mmbls
Weighted average floor price of options	**US$60.00**	US$64.53	US$62.09
Weighted average ceiling price of options	**US$70.00**	US$78.83	US$74.89
Weighted average strike price of swaps	**US$54.50**	none	US$61.85
Maturity dates	**Jul 2020 – Dec 2021**	Jul 2019 – Dec 2020	Jan 2020 - Dec 2020

Effects of hedge accounting on financial position and (loss)/profit for the period	**US$m**	US$m	US$m
Financial assets	**26.4**	16.4	4.1
Financial liabilities	**-**	-	(1.6)
Accruals and other payables – accrued option costs	**(1.0)**	(3.7)	(2.1)
Hedging gain/(loss) recorded in Other Comprehensive Income	**58.7**	(25.3)	(29.7)
Hedging gain recycled to Income Statement	**(33.7)**	(2.9)	(10.9)
Hedging gain recorded in Income Statement against revenue (see note 2.1)	**33.7**	2.9	10.9

3.5 Trade and Other Payables

	At 30 June 2020 US$m	At 30 June 2019 US$m	At 31 December 2019 US$m
Trade payables	**9.3**	9.6	0.9
Deferred income – overlift	**7.9**	-	-
Other taxation and social security	**1.0**	1.9	0.9
Accruals and other payables	**24.2**	19.7	25.4
Joint operation payables	**73.3**	74.5	107.4
	115.7	105.7	134.6

Joint operation payables include Cairn's share of the trade and other payables of joint operations in which the Group participates. Where Cairn is operator of the joint operation, joint operation payables also include amounts that Cairn will settle to third parties on behalf of joint operation partners. The amount to be recovered from partners for their share of such liabilities is included within joint operation receivables.

Section 3 – Working Capital, Financial Instruments and Long-Term Liabilities (continued)

3.6 Deferred Revenue

	At 30 June 2020 US$m	At 30 June 2019 US$m	At 31 December 2019 US$m
Opening deferred revenue	**35.6**	52.8	52.8
Released during the period (note 2.1)	**(8.9)**	(9.7)	(17.2)
Closing deferred revenue	**26.7**	43.1	35.6
Amounts expected to be released within one year	**5.0**	17.7	16.9
Amounts expected to be released after one year	**21.7**	25.4	18.7
	26.7	43.1	35.6

Deferred revenue relates to the stream agreement with FlowStream entered into in 2017. The cumulative return achieved during May 2020 exceeded the first step down level and consequently FlowStream's share of Kraken revenue has reduced from 4.5% to 1.35%. The amounts expected to be released within one year are accordingly lower than at previous reporting dates at US$5.0m. The final stepdown to 0.675% is currently forecast late in 2021.

Section 4 – Income Statement Analysis

4.1 Segmental Analysis

Segmental Disclosures and Discontinued Operations

Cairn’s sale of Capricorn Norge AS to Sval Energi AS completed on 28 February 2020. Norwegian assets and liabilities were classified as held-for-sale at 31 December 2019 (see note 6.1).

IFRS 8 ‘Operating Segments’ does not provide guidance as to whether segment disclosures apply to discontinued operations. During the current period, Cairn has presented segmental disclosures exclusive of the results of the discontinued operation, being the Norwegian subsidiary, and comparative information has been restated accordingly to exclude these results from the segment formerly called UK & Norway, now presented as the UK segment.

Operating segments

Cairn’s strategy is to create, add and realise value from a balanced portfolio within a self-funding business model. 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 segment separately for the purposes of making decisions about resource allocation and performance assessment.

In 2020, Cairn had five reportable operating segments: Senegal, UK, Norway (until disposal), LATAM (Latin America) and East Atlantic. The Senegal operating segment was focused on the development of the Sangomar discovery. Subsequent to the period end, Cairn announced it had reached agreement to dispose of the Group’s entire interests in Senegal to Woodside (see note 6.3). The UK segment includes exploration activity in the North Sea and the Kraken and Catcher producing assets. The LATAM segment includes costs of the Mexican exploration drilling programme and exploration activity in Suriname, while the East Atlantic includes costs associated with interests in Côte d’Ivoire, Mauritania and Israel.

The Other Cairn Energy Group segment exists to accumulate the activities and results of the Parent and other holding companies together with 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.

Section 4 – Income Statement Analysis (continued)

4.1 Segmental Analysis (continued)

The segment results for the six months ended 30 June 2020 are as follows:

	Senegal US$m	UK US$m	Norway US$m	LATAM US$m	East Atlantic US$m	Other Cairn Energy Group US$m	Group adj for segments US$m	**Total US$m**
Revenue	-	214.7	-	-	-	0.2	-	**214.9**
Cost of sales	-	(70.2)	-	-	-	-	-	**(70.2)**
Depletion and amortisation charges	-	(107.5)	-	-	-	-	-	**(107.5)**
Gross profit	**-**	**37.0**	**-**	**-**	**-**	**0.2**	**-**	**37.2**
Pre-award costs	-	(0.2)	-	(1.8)	-	(3.5)	-	**(5.5)**
Unsuccessful exploration costs	-	(19.6)	-	(47.8)	(0.2)	-	-	**(67.6)**
Depreciation – purchased assets	-	-	-	-	-	(0.1)	-	**(0.1)**
Amortisation – right-of-use assets	-	-	-	(0.1)	-	(0.9)	-	**(1.0)**
Amortisation of other intangible assets	-	-	-	(0.1)	-	(1.6)	-	**(1.7)**
Other administrative expenses	(0.2)	(0.2)	-	(0.2)	-	(13.5)	-	**(14.1)**
Impairment of intangible exploration/appraisal assets	(144.7)	-	-	-	-	-	-	**(144.7)**
Impairment of property, plant & equipment – development/producing assets	(61.9).	(32.7)	-	-	-	-	-	**(94.6)**
Operating loss	**(206.8)**	**(15.7)**	**-**	**(50.0)**	**(0.2)**	**(19.4)**	**-**	**(292.1)**
Loss on fair value of financial assets	-	-	-	-	-	(1.8)	-	**(1.8)**
Interest income	-	-	-	-	-	0.7	-	**0.7**
Other finance income and costs	0.3	2.5	-	(0.2)	-	6.2	-	**8.8**
Loss before taxation from continuing operations	**(206.5)**	**(13.2)**	**-**	**(50.2)**	**(0.2)**	**(14.3)**	**-**	**(284.4)**
Tax charge	-	-	-	(0.1)	-	-	-	**(0.1)**
Loss for the period from continuing operations	**(206.5)**	**(13.2)**	**-**	**(50.3)**	**(0.2)**	**(14.3)**	**-**	**(284.5)**
Loss from discontinued operations	-	-	(39.0)	-	-	-	-	**(39.0)**
Loss attributable to equity holders of the Parent	**(206.5)**	**(13.2)**	**(39.0)**	**(50.3)**	**(0.2)**	**(14.3)**	**-**	**(323.5)**
Balances as at 30 June 2020:								
Capital expenditure	**147.5**	**38.7**	**-**	**52.9**	**17.3**	**2.3**	**-**	**258.7**
Total assets	**473.6**	**1,016.3**	**-**	**92.5**	**45.4**	**109.3**	**(4.3)**	**1,732.8**
Total liabilities	**19.4**	**485.6**	**-**	**17.5**	**2.2**	**22.8**	**(4.3)**	**543.2**
Non-current assets	**462.8**	**925.1**	**-**	**63.1**	**42.4**	**10.6**	**-**	**1,504.0**

Section 4 – Income Statement Analysis (continued)

4.1 Segmental Analysis (continued)

The segment results for the six months ended 30 June 2019 were as follows:

	Senegal US$m	UK (restated) US$m	Norway (restated) US$m	LATAM US$m	East Atlantic US$m	Other Cairn Energy Group US$m	Group adj for segments (restated) US$m	Total (restated) US$m
Revenue	-	269.7	-	-	-	0.6	-	270.3
Cost of sales	-	(33.8)	-	-	-	-	-	(33.8)
Depletion and amortisation charges	-	(122.6)	-	-	-	-	-	(122.6)
Gross profit	-	113.3	-	-	-	0.6	-	113.9
Pre-award costs	-	(0.4)	-	(3.2)	(1.4)	(4.0)	-	(9.0)
Unsuccessful exploration costs	-	1.7	-	-	(0.6)	-	-	1.1
Depreciation – Purchased assets	-	-	-	-	-	(0.1)	-	(0.1)
Amortisation – Right-of-use assets	-	-	-	(0.1)	-	(0.9)	-	(1.0)
Amortisation of other intangible assets	-	-	-	-	-	(0.8)	-	(0.8)
Other administrative expenses	(0.1)	(0.4)	-	0.2	(0.2)	(14.7)	-	(15.2)
Operating (loss)/profit	(0.1)	114.2	-	(3.1)	(2.2)	(19.9)	-	88.9
Loss on fair value of financial assets	-	-	-	-	-	(1.0)	-	(1.0)
Interest income	-	0.3	-	-	-	1.8	-	2.1
Finance costs	-	(14.3)	-	(0.1)	-	(2.4)	-	(16.8)
(Loss)/Profit before taxation from continuing operations	(0.1)	100.2	-	(3.2)	(2.2)	(21.5)	-	73.2
Tax charge	-	-	-	(0.3)	-	-	-	(0.3)
(Loss)/Profit for the period from continuing operations	(0.1)	100.2	-	(3.5)	(2.2)	(21.5)	-	72.9
Loss from discontinued operations	-	-	(6.4)	-	-	-	-	(6.4)
(Loss)/Profit for the period attributable to equity holders of the Parent	(0.1)	100.2	(6.4)	(3.5)	(2.2)	(21.5)	-	66.5
Balances as at 30 June 2019:								
Capital expenditure	21.5	41.2	49.1	37.2	11.2	0.3	-	160.5
Total assets	488.2	1,484.0	303.8	84.9	36.2	87.1	(295.4)	2,188.8
Total liabilities	10.1	596.0	127.3	13.1	2.5	297.8	(295.4)	751.4
Non-current assets	484.5	1,091.4	232.5	70.4	32.8	12.4	-	1,924.0

Section 4 – Income Statement Analysis (continued)

4.1 Segmental Analysis (continued)

The segment results for the year ended 31 December 2019 were as follows:

	Senegal US$m	UK (restated) US$m	Norway (restated) US$m	LATAM US$m	East Atlantic US$m	Other Cairn Energy Group US$m	Group adj for segments (restated) US$m	Total US$m
Revenue	-	532.3	-	-	-	1.1	-	533.4
Cost of sales	-	(73.1)	-	-	-	-	-	(73.1)
Depletion and amortisation charges	-	(217.2)	-	-	-	-	-	(217.2)
Gross profit	-	242.0	-	-	-	1.1	-	243.1
Pre-award costs	-	(0.8)	-	(5.0)	(2.3)	(9.1)	-	(17.2)
Unsuccessful exploration costs	-	(5.9)	-	(84.7)	(16.4)	-	-	(107.0)
Depreciation – purchased assets	-	-	-	(0.2)	-	(0.2)	-	(0.4)
Amortisation – right-of-use assets	-	-	-	(0.1)	-	(1.8)	-	(1.9)
Amortisation of other intangible assets	-	-	-	-	-	(2.4)	-	(2.4)
Other administrative expenses	-	(0.6)	-	(0.1)	-	(26.9)	-	(27.6)
Reversal of impairment of property, plant & equipment - development/producing assets	-	147.3	-	-	-	-	-	147.3
Impairment of goodwill	-	(79.0)	-	-	-	-	-	(79.0)
Operating profit/(loss)	-	303.0	-	(90.1)	(18.7)	(39.3)	-	154.9
Loss on fair value of financial assets	-	-	-	-	-	(1.8)	-	(1.8)
Interest income	-	0.4	-	-	-	2.6	-	3.0
Finance costs	-	(14.0)	-	(0.4)	-	(22.2)	-	(36.6)
Profit/(Loss) before taxation from continuing operations	-	289.4	-	(90.5)	(18.7)	(60.7)	-	119.5
Tax charge	-	-	-	(0.3)	-	-	-	(0.3)
Profit/(Loss) for the year from continuing operations	-	289.4	-	(90.8)	(18.7)	(60.7)	-	119.2
Loss from discontinued operations	-	-	(25.6)	-	-	-	-	(25.6)
Profit/(Loss) attributable to equity holders of the Parent	-	289.4	(25.6)	(90.8)	(18.7)	(60.7)	-	93.6
Balances as at 31 December 2019:								
Capital expenditure	58.9	34.0	89.1	109.9	19.5	1.6	-	313.0
Total assets	522.1	1,248.2	143.5	91.1	30.7	174.3	(120.9)	2,089.0
Total liabilities	9.9	504.3	37.6	51.2	6.5	144.9	(120.9)	633.5
Non-current assets	521.9	1,047.7	-	58.2	25.3	11.7	-	1,664.8

Section 4 – Income Statement Analysis (continued)

4.2 Finance Income

	Six months ended 30 June 2020 US$m	Six months ended 30 June 2019 (restated) US$m	Year ended 31 December 2019 US$m
Bank and other interest receivable	**0.7**	2.1	3.0
Exchange gain	**21.3**	-	-
	22.0	2.1	3.0

4.3 Finance Costs

	Six months ended 30 June 2020 US$m	Six months ended 30 June 2019 (restated) US$m	Year ended 31 December 2019 US$m
Loan interest and facility fee amortisation	**3.1**	5.5	10.3
Other finance charges	**1.1**	2.1	3.7
Unwinding of discount - provisions	**1.4**	1.2	2.6
Lease interest	**6.9**	7.9	15.3
Exchange loss	**-**	0.1	4.7
	12.5	16.8	36.6

Section 4 – Income Statement Analysis (continued)

4.4 Earnings per Ordinary Share

Basic and diluted earnings per share are calculated using the following measures of (loss)/profit:

	Six months ended 30 June 2020 US$m	Six months ended 30 June 2019 (restated) US$m	Year ended 31 December 2019 US$m
(Loss)/Profit and diluted (loss)/profit after taxation from continuing operations	**(284.5)**	72.9	119.2
(Loss)/Profit and diluted (loss)/profit attributable to equity holders of the Parent	**(323.5)**	66.5	93.6

The following reflects the share data used in the basic and diluted earnings per share computations:

	Six months ended 30 June 2020 '000	Six months ended 30 June 2019 '000	Year ended 31 December 2019 '000
Weighted average number of shares	**589,552**	589,511	589,524
Less weighted average shares held by the ESOP and SIP Trusts	**(7,089)**	(8,296)	(7,728)
Basic weighted average number of shares	**582,463**	581,215	581,796
Potential dilutive effect of shares issuable under employee share plans:			
LTIP awards	**-**	3,138	4,055
Approved and unapproved plans	**-**	40	43
Employee share awards	**-**	1,188	1,886
Diluted weighted average number of shares	**582,463**	585,581	587,780
Potentially issuable shares not included above:			
LTIP awards	**18,961**	24,145	20,877
Approved and unapproved plans	**3,074**	2,816	2,734
Employee share awards	**4,031**	3,483	1,679
Number of potentially issuable shares	**26,066***	30,444	25,290

* 2020 potentially issuable shares were all anti-dilutive due to the loss for the period.

Section 5 – Taxation

5.1 Deferred Tax Assets and Liabilities

Reconciliation of movement in deferred tax assets/(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 2019	(243.1)	243.1	-	-
Deferred tax (charge)/credit through the Income Statement	(32.9)	32.9	-	-
At 30 June 2019	(276.0)	276.0	-	-
Deferred tax (charge)/credit through the Income Statement	(27.6)	(44.0)	71.6	-
At 31 December 2019	(303.6)	232.0	71.6	-
Deferred tax credit/(charge) through the Income Statement	28.9	(31.3)	2.5	-
At 30 June 2020	**(274.7)**	**200.7**	74.1	-
Deferred tax liabilities				
At 1 January 2019	(89.8)	21.9	1.4	(66.5)
Exchange differences arising	(1.2)	0.3	0.1	(0.8)
Deferred tax (charge)/credit through the Income Statement	(0.1)	5.7	4.1	9.7
At 30 June 2019	(91.1)	27.9	5.6	(57.6)
Exchange differences arising	6.9	(1.7)	(0.2)	5.0
Deferred tax credit/(charge) through the Income Statement	0.1	(5.7)	(4.1)	(9.7)
Deferred tax credit/(charge) from discontinued operations	84.1	(20.5)	(1.3)	62.3
At 31 December 2019 and at 30 June 2020	**-**	**-**	**-**	**-**

5.2 Contingent Liability – Indian Tax Assessment

The main evidentiary hearing of Cairn's claim under the Treaty took place in August 2018 in The Hague with a final hearing in December 2018. All formal hearings and submissions have now been made and the tribunal is in the process of drafting its award. The tribunal has indicated that it expects to be in a position to issue the award after the end of the summer of 2020, with no significant delay expected as a result of COVID-19. Based on detailed legal advice, Cairn remains confident that it will be successful in this arbitration and accordingly no provision has been made for any of the tax or penalties assessed by the Indian Income Tax Department ('IITD').

The Group also has legal advice confirming that the maximum amount that could ultimately be recovered from Cairn by the IITD, in excess of the assets already seized, is limited to the value of CUHL's assets, principally the remaining ordinary shares in Vedanta Limited with a value of US$3.3m at 30 June 2020.

Section 6 – Discontinued Operations and Post Balance Sheet Events

6.1 Loss from discontinued operations

Cairn's sale of Capricorn Norge AS to Sval Energi AS completed on 28 February 2020. Norwegian assets and liabilities were classified as held-for-sale at 31 December 2019.

The financial performance of the subsidiary is presented as discontinued operations in the Financial Statements for the period ended 30 June 2020 and year ended 31 December 2019. Comparative information for financial performance of the subsidiary has been restated as discontinued operations for the six-month period ended 30 June 2019. The financial performance is expanded in the notes below.

	Two months ended 28 February 2020 US$m	Six months ended 30 June 2019 US$m	Year ended 31 December 2019 US$m
Gross Profit	**-**	-	-
Pre-award costs	**(1.5)**	(1.8)	(4.0)
Unsuccessful exploration costs	**-**	(26.3)	(38.7)
Administrative expenses	**(0.3)**	(0.5)	(1.5)
Gain on disposal of property, plant & equipment - development assets	**-**	-	0.7
Impairment of disposal group	**-**	-	(65.7)
Operating loss	**(1.8)**	(28.6)	(109.2)
Finance income	**-**	0.1	0.4
Finance costs	**(0.3)**	(1.3)	(6.8)
Loss before taxation	**(2.1)**	(29.8)	(115.6)
Current tax credit	**2.4**	13.7	27.7
Deferred tax credit	**0.2**	9.7	26.9
Deferred tax credit on disposal of development assets	**-**	-	35.4
Taxation	**2.6**	23.4	90.0
Profit/(loss) from discontinued operations	**0.5**	(6.4)	(25.6)
Loss on disposal of Capricorn Norge AS	**(39.5)**	-	-
Loss from discontinued operations	**(39.0)**	(6.4)	(25.6)

Section 6 – Discontinued Operations and Post Balance Sheet Events (continued)

6.1 Loss from discontinued operations (continued)

The loss on disposal of Capricorn Norge AS is calculated as follows:

	US$m
Gross cash proceeds	**105.2**
Costs of disposal	**(0.5)**
Net cash proceeds	**104.7**
Disposal of cash and cash equivalents	**(2.2)**
Disposal of assets and liabilities held-for-sale:	
Intangible exploration/appraisal assets	(24.3)
Property, plant and equipment - development/producing assets	(74.3)
Other property, plant & equipment and intangible assets	(1.4)
Deferred tax	(0.2)
Trade and other receivables	(7.6)
Income tax asset	(27.9)
Loans and borrowings	22.9
Lease liability	0.5
Trade and other payables	12.4
Provisions – decommissioning	2.5
	(97.4)
Translation loss recycled from Other Comprehensive Income	**(44.6)**
Loss on disposal of Capricorn Norge AS	**(39.5)**

On completion of the sale, the merger reserve of US$255.9m relating to the acquisition of Capricorn Norge AS was transferred to retained earnings

6.2 Cash Flow Information for Discontinued Operations

	Two months ended 28 February 2020 US$m	Six months ended 30 June 2019 US$m	Year ended 31 December 2019 US$m
Net cash flows from/(used in) operating activities	**1.5**	(4.2)	(3.6)
Net cash flows (used in)/from investing activities	**(6.4)**	(45.3)	19.2
Net cash flows (used in)/from financing activities	**(0.4)**	60.3	(4.3)
Net (decrease)/increase in cash and cash equivalents of Capricorn Norge AS	**(5.3)**	10.8	11.3
Opening cash and cash/(bank overdraft) equivalents of Capricorn Norge AS	**7.2**	(5.1)	(5.1)
Foreign exchange differences	**0.3**	(0.4)	1.0
Closing cash and cash equivalents of Capricorn Norge AS	**2.2**	5.3	7.2

Closing cash balances held by Capricorn Norge AS at 31 December 2019 are included in closing cash and cash equivalents disclosed in the cash flow statement.

Section 6 – Discontinued Operations and Post Balance Sheet Events (continued)

6.3 Post Balance Sheet Events: Disposal of Senegal assets

On 27 July 2020, Cairn announced that it had agreed to sell its entire 40% working interest in its Senegal exploration and development assets to LUKOIL, subject to joint operator and Government of Senegal approval. On 17 August 2020, the operator, Woodside, exercised its right to pre-empt on the same terms and conditions.

Under the agreement with Woodside, Cairn will receive consideration of up to US$400.0m for the sale, US$300.0m on completion plus up to US$100.0m deferred, together with a reimbursement of cash expenditure from the economic effective date of 1 January 2020 (US$146.1m at 30 June 2020). The amount of deferred consideration receivable is dependent on the first oil date and the oil price at that time.

At 30 June 2020, Cairn did not consider the likelihood of the sale completing to be highly probable therefore the assets and liabilities were not classified as held-for-sale at the balance sheet date. Only on the date of signing the original sale and purchase agreement with LUKOIL did Cairn reclassify its assets and liabilities relating to the Senegal assets as assets and liabilities held-for-sale. No further impairment was recorded on reclassification. The Group's assets in Senegal form a separate reporting segment as disclosed in note 4.1.

Cairn expects to complete the sale of the assets prior to 31 December 2020. On completion, the Group expect to record a loss on disposal of approximately US$230.0m, an increased loss of US$23.6m over the impairment recorded in the six months to 30 June 2020. The increase is caused by the exclusion of the fair value of the deferred consideration from the gain on sale calculation, as under IFRS 15, deferred consideration may only be recorded where it is highly probably there will be no significant reversals in future periods.

Glossary

Bbl - Barrel of oil

Bn - Billion

Boe - Barrels of Oil Equivalent

Boepd - Barrels of Oil Equivalent Per Day

Bopd - Barrels of Oil Per Day

FID - Final Investment Decision

FDP - Field Development Plan

FlowStream - FlowStream Thruer Ltd

FPSO - Floating Production Storage and Offloading facility

GAAP - Generally Accepted Accounting Principles

IFRS - International Financial Reporting Standards

JV - Joint Venture

LATAM - Latin America

LUKOIL - LUKOIL Plc

M - Million

Mmbbls - Million Barrels of Oil

Mmboe - Million barrels of oil equivalent

RBL - Reserves Based Lending (facility)

Shell - Shell UK Limited

WI - Working Interest

Woodside - Woodside Energy Ltd