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FOR IMMEDIATE RELEASE **9 March 2021**

CAIRN ENERGY PLC ("Cairn")

Full Year Results Announcement for the year ended 31 December 2020

Agreements to acquire Shell's Western Desert assets in Egypt, sale of Cairn's UK North Sea producing assets

Simon Thomson, Chief Executive, Cairn Energy PLC said:

"As we continue to live and work with the consequences of the global pandemic, we have focused on keeping our people safe while maintaining momentum on business priorities and returning value to shareholders.

The proposed acquisition of Shell's Western Desert assets in Egypt is an important step in our strategic ambition to expand and diversify our producing asset base, bringing material reserve and production additions and offering exploration potential in a country with significant oil and gas growth opportunities. Our Joint Venture with established Egyptian operator Cheiron Petroleum Corporation creates a strong partnership with extensive experience and complementary skill sets.

We are also announcing today the proposed sale of our interests in the UK Catcher and Kraken fields. The divestment of these assets, as they fall into natural decline, will further strengthen our ability to pursue Cairn's strategic goals.

Following the unanimous arbitration decision under the UK-India Investment Treaty to award Cairn US$1.2 billion plus interest, we have engaged with the Government of India regarding adherence to the ruling and we are pursuing all avenues to protect our shareholders' rights to the value of the award."

2020 Summary

- The impact of COVID-19 has been managed safely across the business
- India Arbitration Tribunal award in December 2020 of US$1.2bn plus interest and costs
- Completion of sale of interests in Norway and Senegal
- Year-end Group cash US$570m with no drawn debt, US$250m subsequently returned to shareholders by special dividend
- Net oil production averaged just over 21,000[1] bopd, in line with guidance (2019: 23,000 bopd)
- Oil and gas sales revenue of US$324m (2019:US$504m): average realised oil price of US$42.56/bbl (before hedging gains of US$7.27/bbl): (average production cost US$20/boe)
- Net cash inflow from oil and gas production US$239m
- Capital expenditure on continuing operations was US$125m, in line with guidance
- Operating loss US$67m (2019: US$155m operating profit)
- Loss after tax of US$394m (2019: profit of US$94m), including loss on disposals of US$276m; no recognition of gain on arbitration award, held as contingent asset

[1] Based on 20% Catcher production and 29.5% of Kraken production before deducting FlowStream's entitlement to Kraken volumes during the year of 1,012 boepd (2019: 1,460 boepd)

2021 Outlook

- Completion of proposed acquisition of Shell's Western Desert assets in Egypt for consideration of US$323m[2], adding forecast Cairn WI 2021 production of 33,000-38,000 boepd (66% gas)
- Completion of proposed sale of interests in UK Catcher and Kraken fields for a firm consideration of US$460m[2] plus contingent consideration linked to oil price and production performance, further strengthening the balance sheet to deliver additional portfolio growth
- Continued engagement with the Government of India regarding the arbitration award of US$1.2bn plus interest and costs, whilst all necessary steps are being taken to ensure access to the value of the award for our shareholders
- Estimated exploration and appraisal capital expenditure (excluding Egypt and Catcher and Kraken) of US$90m, including exploration wells planned in Mexico and the UK North Sea

[2] Consideration as at effective date of 1 January 2020, to be adjusted for working capital and interim period cashflows

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Webcast

There will be a live audio webcast of the results presentation with Q&A available to view on the website (www.cairnenergy.com) at 9am GMT. 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 7:00am GMT.

Conference call

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

Dial-in details:

UK, local:	+44 (0)330 336 9125
Code:	2525120

Transcript

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

Operational review

Covid-19

Cairn's strategic execution during 2020 has been delivered against the backdrop of a global pandemic. Our people and those who work with Cairn have successfully adopted new ways of working to ensure business continuity and momentum on all activities. We thank them for their effort and commitment. Cairn has not accessed any Government business support schemes.

Strategic progress

Financial flexibility to rebuild a balanced portfolio

Financial flexibility is integral to Cairn's strategy. At the onset of the pandemic, swift action was taken to proactively manage the capital programme without risking future activity and opportunity. Active portfolio management saw completion of the sale of the Group's interests in Norway in Q1, and of its Senegal interests in Q4, eliminating significant, long term capital commitments totalling US$1.7bn and enabling a US$250m special dividend to shareholders, which was paid in January 2021.

With balance sheet strength, Cairn is well positioned to fund growth and today announces the proposed acquisition of 50% of Shell's production, development and exploration upstream interests in the Western Desert, Egypt for a purchase price of US$323m net to Cairn, with additional contingent consideration of up to US$140m net to Cairn if certain requirements are met. The remaining 50% of the interests will be acquired by Cairn's consortium partner Cheiron, an experienced local operator. Cheiron will operate the production and development assets and two exploration concessions, with Cairn operating three exploration concessions.

The acquisition is in line with Cairn's strategy of expanding and diversifying the production base. The assets provide low-cost production, near-term development and exploration growth potential and enhance the contribution of gas within Cairn's portfolio.

Transaction Highlights

- Adds WI 2P reserves of 113 mmboe as at 31 December 2020
- Adds low-cost 2021 forecast WI production of between 33,000-38,000 boepd with an opex/bbl of <US$6/boe, with significant potential to increase production levels in future years.
- Two-thirds of production from the Assets is gas weighted, adjusting Cairn's current hydrocarbon split towards gas
- Significant Cashflow from Operations (CFFO) contribution: average CFFO[3] for previous three years (2017 – 2019) was ~US$140m net to the interest being acquired by Cairn

[3] Cashflow from operations is a non-IFRS measure and excludes working capital movements. CFFO is presented in order for readers to understand the cash profitability.

- Enhances near-term growth opportunities with 2C contingent resources WI of 49 mmboe as at 31 December 2020 to Cairn and significant exploration potential remaining

- Cairn, together with Cheiron Energy, plans to finance the Acquisition with a new joint acquisition reserve-based lending facility of up to US$350m, joint junior debt facility of US$100m and existing cash on balance sheet

- The economic effective date of the Acquisition is 1 January 2020. Production for the assets being acquired averaged 83,000 boepd (Cairn WI of 41,500 boepd) in 2020

Subject to the approval of the Egyptian authorities and Cairn's shareholders, the acquisition is expected to complete in H2 2021.

Cairn also announces the proposed sale of its entire interests in the UK Catcher and Kraken fields to Waldorf Production UK Limited for a firm consideration of US$460m with a further uncapped contingent consideration dependent on oil price and production performance. The divestment realises value for these assets as they fall into natural decline, enabling Cairn to further pursue its strategic goals at an opportune time in the industry cycle.

Subject to regulatory and shareholder approval, the disposal is expected to complete in H2 2021.

Further details of both proposed transactions are available on www.cairnenergy.com.

India

On 23rd December, Cairn announced that the tribunal established to rule on its claim against the Government of India ("GoI") had found in Cairn's favour.

The tribunal ruled unanimously that India had breached its obligations to Cairn under the UK-India Bilateral Investment Treaty and it awarded to Cairn damages of US$1.2bn plus interest and costs, which immediately became payable. The total due at the year-end was US$1.7bn.

Cairn has engaged directly with the GoI regarding satisfaction of the Award, which is also enforceable against India-owned assets in over 160 countries that have signed and ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Cairn has already taken steps to have the Award recognised in certain major jurisdictions in which Indian sovereign assets have been identified.

Disposal of Senegal interests and return of cash to shareholders

The sale of Cairn's interests in Senegal to Woodside completed in Q4 2020, providing flexibility for future investment, enabling shareholder returns and avoiding significant long-term development capital expenditure. Cash received at completion was US$525m, comprising the US$300m acquisition consideration and a US$225m reimbursement of expenditure incurred on the sale assets since 1 January 2020. A further US$100m is payable to Cairn subject to certain conditions being met relating to the date of first production from the Sangomar development and the prevailing oil price at that time.

As a result of this transaction, in January 2021 Cairn returned approximately US$250m to shareholders via a special dividend of 32 pence per eligible ordinary share.

Cairn's discoveries offshore Senegal opened up a new basin on the Atlantic Margin, laying the foundations for Senegal's first multi-phase offshore oil and gas development.

Chair succession

Nicoletta Giadrossi succeeded Ian Tyler as Board Chair on 1 January 2021. We thank Ian for his significant contribution to the business during his seven years on the Board, six as Chairman.

Reserves

The Group 2P reserves decreased during the year by 116.8 mmboe from 149.7 mmboe to 32.9 mmboe. This was principally as a result of disposals (106.5 mmboe relating to Sangomar and Nova) but also accounts for production in the period (7.8 mmboe) and revisions (2.5 mmboe), the latter primarily related to a change in oil price assumptions for the Group.

Production

The North Sea production assets delivered 2020 annual net production of just over 21,000 bopd, (cum. 7.81m bbl) in line with revised full year guidance. Crude sales from both fields averaged dated Brent pricing or better during the period.

Catcher

Average 2020 gross production from the Catcher Area (Cairn 20% WI) was 50,200 bopd, with production levels impacted in H2 by planned maintenance, shutdown activity and a produced water plant issue, resolved by the Operator. Drilling of the Varadero infill well (VP1) was completed with the well supporting plateau oil rates.

In 2020 Phase 1 of a gas injection trial took place, with Phase 2 taking place in Q1/Q2 of this year.

Kraken

Average 2020 gross production from Kraken (Cairn 29.5% WI) was 37,500 bopd. The FPSO delivered high production efficiency rates over the period, averaging 87% oil production efficiency and 91% water injection.

In 2020, the Kraken JV successfully brought on-line the Worcester producer-injector well pair. Overall subsurface and well performance has been good, with the rate of water cut evolution remaining stable.

Exploration
Exploration continues to be a core part of Cairn's strategy. We aim to maintain a flexible exploration portfolio with a balance of near infrastructure, short cycle time opportunities alongside select frontier opportunities.

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[4]).

In Block 10 in the Sureste basin, an oil discovery was confirmed on the ENI-operated Saasken-1 exploration well (15% non-operated WI) during Q1 2020, with Operator preliminary estimates of 200 to 300 million barrels of oil in place. Following regulatory approval of the Operator's updated exploration plan, the JV is preparing a second exploration well on the licence in H1 2021. The appraisal plan for the Saasken discovery, with the option to drill an appraisal well, is being assessed by CNH.

On Block 9 (50% WI), Cairn completed its second operated well in Mexico in Q1 2020. The exploration objectives were dry and the well was permanently plugged and abandoned. Cairn continues to update its assessment of the prospectivity of Block 9 (50% WI).

On Block 7 (30% WI), the Ehecatl-1 well, operated by ENI, completed operations during Q2 2020 and was permanently plugged and abandoned. The Operator ENI and Cairn are working to identify prospects for drilling a second exploration well, currently planned for 2022.

UK
Following the exchange of 50% WI between Cairn operated P2379 and Shell operated licence P2380 in 2020, Shell expects to spud the Jaws prospect on P2380 during Q2 2021. Cairn aims to drill the Diadem prospect (P2379 50% WI operated) in Q2 2022, with a site survey underway. With both licences close to Shell's Nelson platform, exploration success can be fast-tracked to production via subsea tieback. A drill stem test is planned in a success case for both wells. There is analogous follow-on potential in the event of success on licences P2379 and P2381(100% WI).

On licence P2468 (50% WI, operated) in the East Orkney Basin, reprocessing of legacy 2D seismic is completed and shallow boreholes and geophysical data will be acquired in 2021 to inform a decision on acquisition of 3D seismic over this acreage.

Cairn exited the Agar-Plantain (P1763) and Chimera (P2312) licences as it proactively managed its portfolio.

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[4] 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.

Suriname

Cairn (100% WI) operates Block 61, the largest offshore PSC in Suriname at 13,080 km². The block is situated within the world-class Guyana-Suriname basin where significant discoveries continued to be made in 2020 and 2021. On Block 61, acquisition of 3D seismic is being considered to develop potential drilling opportunities in both shallow and deep-water areas of the block. The licence has been extended for an additional 12 months until June 2022.

Israel

Cairn has a 33.34% WI as Operator in eight licences offshore Israel. During 2020, as part of the minimum work commitment, Cairn awarded a contract for seismic processing, which is ongoing. The project aims to improve the imaging of existing seismic in order to mature prospectivity.

Côte d'Ivoire

Cairn has assumed Operatorship (90% WI) in blocks CI-301 and CI-302 from Tullow which has exited both licences. Cairn remains in the Tullow-operated CI-520 (30% WI). The JV has exited blocks CI-518, CI-519, CI-521 and CI-522 effective end Q4 2020. The proposed 2021 work programme for blocks CI-301 and CI-302 is focused on completing the planned 2D seismic acquisition, when safe to do so.

Outlook

Cairn's engagement with the Government of India on its arbitration award will continue in parallel with pursuing options of enforcement and monetisation of the Award in order to safeguard shareholders' rights. As a result of the transactions announced today, Cairn will deliver a step change in the scale and growth potential of the business with the planned material expansion and diversification of our production profile. The broadening of Cairn's production base will provide the funding and cash flow to support selective exploration activity, with wells in Egypt, the UK and Mexico during 2021. Underpinning Cairn's approach to capital allocation decisions is our longstanding principle of weighing business development and investment opportunities against a track record of returning cash to shareholders and we will continue to seek opportunities to realise value for shareholders.

Energy transition

As an exploration and production business, Cairn's role in the transition to lower net carbon energy is to responsibly produce hydrocarbons in support of the UN Sustainable Development Goals. The company is committed to driving down emissions in its operations wherever possible and has committed to the World Bank global gas flaring reduction initiative. During 2020, Cairn invested in the NECCUS project, which is examining proof-of-concept industrial carbon capture projects: an engineered solution to helping businesses and governments achieve CO2 abatement on the path to net zero. Cairn assesses its reporting against the Task Force on Climate-related Financial Disclosure and is committed to complying with its framework.

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 remain 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 determine 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 2020

Cairn has assessed the principal risks and uncertainties at the end of 2020 and concluded that the majority of principal risks identified at H1 2020 remain relevant. The principal risks are:

- Volatile oil and gas prices
- Inability to promptly and fully secure or repatriate value from India
- Underperformance on Kraken and Catcher assets
- Climate change policy and its impacts on energy transition
- Lack of adherence to health, safety, environment and security policies
- Lack of exploration success
- Failure to secure new venture opportunities
- Misalignments with JV operators
- Fraud, bribery and corruption
- Political and fiscal uncertainties
- Diminished access to capital markets

As part of the embedded risk management process, the Group actively considers emerging risks and threats which could impact on the business. The Group identified the direct and indirect impacts from COVID-19 as emerging risks which are actively assessed and monitored, with steps taken to ensure staff safety and delivery of business-critical activities. With moves to remote working as a response to the pandemic, new and evolving cyber threats were identified as an emerging risk to the Group with the IT function monitoring the cyber security environment and implementing mitigations as threats are identified.

Financial Review

Award under the International Arbitration

On 23rd December, Cairn announced that the tribunal established to rule on its claim against the GoI had found in Cairn's favour.

The tribunal ruled unanimously that India had breached its obligations to Cairn under the UK-India Bilateral Investment Treaty and awarded to Cairn damages of US$1.2 billion plus interest and costs, which immediately became payable. The total due at the year-end was US$1.7 billion.

Cairn has engaged directly with the GoI regarding satisfaction of the Award, which is also enforceable against Indian-owned assets in more than 160 countries that have signed and ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Cairn has already taken steps to have the Award recognised in certain major jurisdictions in which Indian sovereign assets have been identified.

Cairn is extremely confident that satisfaction of the award will be achieved either by negotiated settlement or by enforcement against Indian assets (with potential financing and risk sharing options available to accelerate access to cash recovered through enforcement). However, neither route to recovery is sufficiently well defined in terms of the timing and amount of expected settlement to provide the virtual certainty required by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which would allow recognition of an asset on the Balance Sheet. The receivable under the Award therefore remains classified as a contingent asset at this time.

The taxation of future receipts in respect of the Award is currently uncertain. Further work will be undertaken to assess the tax treatment of future receipts in respect of the Award, which may include discussions with relevant tax authorities.

Post-Balance Sheet Date Transactions

On 8th March 2021, Cairn signed a sale and purchase agreement for the joint purchase by Cairn and Cheiron of Shell's Western Desert assets in Egypt at an initial cost of US$323m. This acquisition is an important step in Cairn's strategic ambition to expand and diversify the producing asset base. It will be funded by existing cash balances and new debt facilities.

Also, on 8th March, Cairn agreed the sale of the Group's interests in the UK Catcher and Kraken fields. The divestment of these assets, which are now falling into natural decline, will further strengthen Cairn's ability to pursue Cairn's strategic goals at an opportune point in the cycle. As the sales process was not sufficiently advanced at the year end, the assets were not re-classified as held-for-sale.

Both transactions require shareholder and government approvals.

Neither transaction impacts the results reported for the current year. Assuming all necessary approvals, the acquisition in Egypt shall be assessed for accounting under *IFRS 3 – Business Combinations*. The sale on UK assets is forecast to generate a book loss after tax of ~US$140m as a result of a reversal of deferred tax assets on UK tax losses which currently offset deferred tax liabilities recorded on the assets.

Gross Profit analysis

Key Statistics

	Year ended 31 December 2020	Year ended 31 December 2019
Production – net WI share (boepd) [1]	21,350	23,739
Sales volumes (boepd) [2]	20,993	21,412
Average price per bbl (US$) [3]	42.56	65.70
Revenue from production (US$m)	324.5	504.2
Average production costs per boe (US$) [4]	19.73	17.38
Depletion and amortisation costs per boe (US$)	27.33	24.87
Net cash inflow from oil and gas production (US$m)	239.4	390.2
Net cash inflow from operating activities (US$m)	257.9	406.5

[1] Based on 20% Catcher production and 29.5% of Kraken production before deducting FlowStream's entitlement to Kraken volumes during the year of 1,012 boepd (2019: 1,460 boepd)

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

[3] Excluding hedging gains of US$7.27/bbl (2019: US$1.42/bbl)

[4] Based on total production costs of US$155.8m (2019: US$150.5m), including total lease payments; see table below

Production

During 2020, daily production volumes on both assets remained within revised guidance at just over 21,000 bopd, net to Cairn. Kraken performance remained strong throughout the year, while Catcher was constrained in the fourth quarter due to operational issues. Catcher production averaged ~51,200 boepd (2019: ~67,200 boepd) gross for the year and Kraken averaged ~37,500 bopd (2019: ~35,600 bopd). Net to Cairn, combined production for 2020, including Catcher gas, averaged 21,350 boepd before adjusting for FlowStream entitlement.

Revenue

Revenue from the sale of oil and gas was US$324.5m (2019: US$504.2m), before adjusting for hedging gains of US$55.9m (2019: US$10.9m). Oil sales realised US$42.56/bbl against an average Brent price of US$41.96/bbl for the year reflecting strong, consistent pricing of both Catcher and Kraken crudes. Release of deferred revenue of US$13.9m (2019: US$17.2m) and royalty income in Mongolia of US$0.4m (2019: US$1.1m), increased total revenue to US$394.7m (2019: US$533.4m).

The gains recorded on hedge options during 2020 reflect volumes of 1.9 mmbbls of collars, settled on weighted-average floor prices of US$62.09/bbl, and 0.9 mmbbls of swaps, with weighted-average strike price of US$61.85/bbl. At 31 December 2020, Cairn has hedged ~1.0m barrels of forecast production through to December 2021. ~0.5m barrels have been hedged using three-way-collar structures with a weighted average floor of US$48.27/bbl and sub-floor of US$35.00/bbl and an average ceiling of US$55.00/bbl, and ~0.5m barrels hedged using swaps with a weighted average strike price of US$45.20/bbl.

Cost of sales

Total production costs of US$155.8m (2019: US$150.5m) include US$23.0m of variable lease payments (2019: US$25.6m) on the Catcher and Kraken FPSOs respectively.

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

	Year ended 31 December 2020	**Year ended 31 December 2019**
Production costs (US$m) (note 2.1)	75.9	68.1
Variable lease costs (US$m) (note 2.1)	23.0	25.6
Fixed lease costs for FPSOs (US$m) [1]	56.9	56.8
Total lease costs (US$m)	79.9	82.4
Total production costs (US$m)	155.8	150.5
Total production costs per boe (US$)	19.73	17.38
Total lease costs per boe (US$) [2]	10.23	9.51

[1]Fixed lease costs for FPSOs are included in total lease costs disclosed in note 3.3

[2]Total lease cost per boe are included in total production costs per boe

Net decreases in oil inventory and underlift positions, measured at market value, of US$16.6m were charged against cost of sales in the year (2019: increases of US$20.6m credited against cost of sales). Following a change in crude marketing arrangements, where Cairn now receive the Group's WI share of each cargo lifted on both assets, there is no overlift or underlift position at the year end.

The increased depletion and amortisation cost per boe arise as a result of reserve adjustments at the year end, primarily on the Kraken producing asset.

Sale of oil and gas assets

During the year Cairn completed the disposal of its Norwegian subsidiary and its interests in Senegal, freeing the Group from multi-year capital commitments totalling over US$1.7 billion.

Cairn announced the disposal of Group's interests in Senegal in July 2020 and completed the sale to Woodside in December. Cash received at completion was US$525m, comprising US$300m acquisition consideration and a US$225m reimbursement of expenditure incurred on the sale assets since 1 January 2020. Further consideration of up to US$100m is receivable based on the first-oil date and the oil price prevailing at that time.

The completion of the sale of Capricorn Norge AS to Sval Energi in February 2020 generated total net cash flows of US$102.5m to the Group.

Together, the transactions resulted in a combined loss of U$276.3m recognised within discontinued operations. Post completion of the sale of the Senegal operations, Cairn announced a return of cash to shareholders of £188m (using US$250m of Senegal sales proceeds) by way of dividend and this was paid in January 2021. The return of cash further demonstrates Cairn's commitment to return value to shareholders at the appropriate opportunity.

Net cash inflow for the Year

	US$m
Opening cash at 1 January 2020[1]	153.7
Net cash inflow from operations	239.4
Pre-award costs and new venture activities[2]	(19.1)
Exploration expenditure	(126.7)
Development expenditure[3]	(267.4)
Net cash inflow on disposal of Senegal	523.1
Net cash inflow on disposal of Norway	102.5
Administration expenses, office leases and corporate assets	(24.6)
Net finance costs, equity and other movements	(11.3)
Closing cash at 31 December 2020	569.6

[1] Includes cash balance of US$7.2m held by Capricorn Norge AS

[2]Cash outflows on new venture activities of US$7.0m not relating to pre-award activities are reallocated from administration expenses

[3]Development expenditure of US$271.4m per statutory cash flow, offset by lease reimbursements of US$4.0m

Reconciliation of statutory cash flow to cash inflow from operations:

	Cash inflow from operations US$m
Operating cash flow per statutory cash flow statement	257.9
Non-GAAP Adjustments:	
Administrative costs reallocated	19.7
Pre-award and new venture costs reallocated	19.1
FPSO fixed lease payments	(57.3)
Net cash inflow from operations	**239.4**

Cairn had cash balances of US$569.6m at 31 December 2020, representing a net cash inflow of US$415.9m over the year. There were no borrowings under the Group's Reserve-Based Lending facility, at either the beginning or end of the current year. US$250m of cash was returned to shareholders in January 2021.

Cairn generated US$239.4m of cash inflow from the sale of oil and gas from Catcher and Kraken. Completing the sale of the Group's interests in Senegal and Norway generated net cash inflows of US$625.6m.

Cash outflows on exploration expenditure in the year include US$89.4m of costs in Mexico on completion of the Bitol-1 and Ehecatl-1 exploration wells, US$14.6m across the seven licences in Côte d'Ivoire, and US$11.3m in Mauritania where new licence terms on the existing acreage is expected to be agreed shortly, and US$11.4m across other regions.

Development cash outflows in the period primarily relate to costs on Senegal, with US$235.9m spent prior to completion of the sale in the year. On Kraken, cash spend of US$17.5m included the drilling of a development well on the Worcester satellite field. US$14.7m was spent on drilling on Catcher with the remining US$3.3m relating to spend in Norway prior to disposal.

Capital expenditure on Oil and Gas Assets

	US$m
Opening oil and gas assets at 1 January 2020	1,651.2
Exploration and appraisal asset additions	92.2
Development and producing asset additions	262.2
Exploration and appraisal asset disposals - UK	(1.5)
Exploration, appraisal and development asset disposals - Senegal	(747.7)
Unsuccessful exploration costs – UK	(20.6)
Unsuccessful exploration costs – Mexico	(46.6)
Unsuccessful exploration costs – Côte d'Ivoire	(11.6)
Depletion and amortisation - UK	(215.7)
Closing oil and gas assets at 31 December 2020	**961.9**

Analysis of additions:

	US$m
UK	8.9
Mexico	56.0
Côte d'Ivoire	8.6
Mauritania	11.3
Others	7.4
Exploration and appraisal asset additions	**92.2**
UK – Catcher and Kraken	35.6
Senegal	223.2
Decommissioning assets additions	3.4
Development and producing asset additions	**262.2**

Senegal

Capital expenditure relating to Senegal was reimbursed on completion of the sale to Woodside in December 2020.

Exploration and Appraisal assets

Exploration and appraisal asset additions and disposals in the UK primarily relate to a swap between Cairn and Shell for interests in licences containing the Jaws and Diadem prospects planned for drilling in 2021. Unsuccessful costs in the UK include US$19.4m on relinquishment of the Agar-Plantain licence relinquished early in 2021.

In Mexico, US$47.3m of costs relate to drilling of Bitol-1 and Ehecatl-1 wells completed in 2020, with further non-well costs of US$8.7m incurred. Both wells were declared unsuccessful and costs of US$47.3m charged to the Income Statement.

In Côte d'Ivoire additions of US$8.6m were incurred across the seven licences held by Cairn during the year. Cairn took over operatorship of two blocks during the year, retain a non-operating interest in a third and the remaining four blocks were relinquished. Costs relating to those four of US$11.6m were expensed.

Finally, in Mauritania the Group completed the farm-in to Block 7 early in 2020, however the licence was relinquished after the operator withdrew. Cairn expects to complete the signing of a new licence across the acreage in the near term.

UK Development and Producing assets

Development additions in the year totalling US$35.6m include further development drilling on both assets with Worcester satellite well completed on Kraken and the Varadero infill well completed on Catcher. Drilling of the Catcher North and Laverda development wells, originally planned for the year, have been delayed due to COVID-19.

Impairment testing

At the year end, Cairn reassessed its long-term oil and gas price assumptions. Cairn's long-term oil price assumption has reduced from US$65/bbl to US$55/bbl with escalation of prices removed (previously 2%). The Group's short-term price assumption remains on a rolling average of the forward curve, but the period has been reduced from three to two years. The Group's discount rate remains at 10%.

Despite this reduction in the oil price assumptions, no impairment was recorded on tests performed on the two producing assets. Sensitivity analysis is provided in the note to the accounts. Impairment reviews on the Group's exploration and appraisal assets identified no indicators of impairment.

Results for the year – Other operating income and expense

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

	Year ended 31 December 2020	Year ended 31 December 2019
	US$m	US$m
Pre-award costs	**(12.1)**	(17.2)
Unsuccessful exploration costs	**(78.8)**	(107.0)
Administrative expenses and other income/costs	**(41.1)**	(32.3)
Operational and administrative expenses	**(132.0)**	(156.5)
Net finance costs and financial assets	**(50.3)**	(35.4)

Pre-award costs reflects ongoing activity as Cairn seeks new opportunities to add to its portfolio of assets.

Unsuccessful exploration costs, discussed further within asset movements, include wells in Mexico and the relinquishment of licences in Côte d'Ivoire and the UK.

Administration costs have increased year-on-year, largely due to current year costs incurred in advance of the arbitration award and increased accruals relating to share-based payments.

Significant components of net finance costs include an exchange loss of US$26.4m, largely arising on intercompany lending across subsidiaries with differing functional currencies, and £ denominated decommissioning provisions. Exchange losses in the Income Statement are offset by gains of US$21.6m included within other comprehensive income on the translation of non-USD functional companies to the presentational currency. Further significant finance costs include US$13.3m of lease interest charges and US$6.4m of borrowing cost and facility fee amortisation charges.

Discontinued Operations

Prior to disposal, neither the Norwegian business nor Senegal operations generated significant profit or loss with a small profit of US$0.5m recorded.

On disposal of Capricorn Norge, cumulative historic translation losses of US$44.6m arising on consolidation of the NOK denominated subsidiary in US$, were recycled from reserves to the Income Statement, and this generated a loss on disposal of US$39.5m. The assets and liabilities of Capricorn Norge, including goodwill allocated, had been written down to their recoverable value in 2019.

The sale of operations in Senegal generated a loss on disposal of US$237.3m. Prior to disposal, Cairn entered a Bridge Financing Facility to fund development expenditure until the date of completion of the sale. All associated borrowing costs are included in the loss on sale, through capitalisation within the development costs disposals, and the facility was repaid in full in December following receipt of proceeds.

The calculation of the loss on the sale of Senegal does not assume any further income associated with the deferred consideration of up to US$100m.

Taxation - UK unrecognised deferred tax assets

During the year, Cairn made a UK ring fence profit which was fully offset by brought forward losses. At 31 December 2020, Cairn had total UK ring fence losses of US$486.3m and supplementary charge losses of US$409.8m. All of the UK ring fence losses (at the applicable tax rate of 30%) and the supplementary charge tax losses (at the applicable tax rate of 10%), and activated UK investment allowance and decommissioning liabilities of US$579.2m and US$2.3m respectively, are recognised as deferred tax assets only to the extent they fully offset the deferred tax liabilities of US$245.7m. The remainder of the decommissioning liability represents an unrecognised deferred tax asset of US$148.7m at 31 December 2020.

Cairn Energy PLC

Group Income Statement

For the year ended 31 December 2020

	Note	**2020 US$m**	2019 US$m
Continuing operations			
Revenue	2.1	**394.7**	533.4
Cost of sales	2.1	**(115.5)**	(73.1)
Depletion and amortisation	2.3	**(215.7)**	(217.2)
Gross profit		**63.5**	243.1
Pre-award costs		**(12.1)**	(17.2)
Unsuccessful exploration costs	2.2	**(78.8)**	(107.0)
Other operating income		**1.4**	-
Administrative expenses		**(41.1)**	(32.3)
Reversal of impairment of property, plant & equipment - development/producing assets	2.3	**-**	147.3
Impairment of goodwill		**-**	(79.0)
Operating (loss)/profit		**(67.1)**	154.9
Gain/(Loss) on financial assets at fair value through profit or loss		**0.1**	(1.8)
Finance income		**0.8**	3.0
Finance costs		**(51.2)**	(36.6)
(Loss)/Profit before tax from continuing operations		**(117.4)**	119.5
Taxation			
Tax charge	5.1	**(0.1)**	(0.3)
(Loss)/Profit from continuing operations		**(117.5)**	119.2
Loss from discontinued operations	6.1	**(276.3)**	(25.6)
(Loss)/Profit for the year attributable to equity holders of the Parent		**(393.8)**	93.6
Earnings per share for (loss)/profit from continuing operations:			
(Loss)/Profit per ordinary share – basic (cents)	1.3, 4.2	**(20.16)**	20.47
(Loss)/Profit per ordinary share – diluted (cents)	1.3, 4.2	**(20.16)**	20.26
Earnings per share for (loss)/profit attributable to equity holders of the Parent:			
(Loss)/Profit per ordinary share – basic (cents)	1.3, 4.2	**(67.58)**	16.08
(Loss)/Profit per ordinary share – diluted (cents)	1.3, 4.2	**(67.58)**	15.91

Group Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	**2020 US$m**	2019 US$m
(Loss)/Profit for the year attributable to equity holders of the Parent		**(393.8)**	93.6
Other Comprehensive Income – items that may be recycled to the Income Statement			
Fair value gain/(loss) on hedge options	3.5	**52.2**	(29.7)
Hedging gain recycled to the Income Statement	2.1	**(56.0)**	(10.9)
Currency translation differences		**14.7**	0.4
Currency translation differences recycled on disposal of subsidiary	6.1	**44.6**	-
Other Comprehensive Income/(Expense) for the year		**55.5**	(40.2)
Total Comprehensive (Expense)/Income for the year attributable to equity holders of the Parent		**(338.3)**	53.4
Total Comprehensive (Expense)/Income from:			
Continuing operations		**(99.7)**	77.6
Discontinued operations		**(238.6)**	(24.2)
		(338.3)	53.4

Cairn Energy PLC

Group Balance Sheet

As at 31 December 2020

	Note	**2020 US$m**	2019 US$m
Non-current assets			
Intangible exploration/appraisal assets	2.2	**112.1**	245.9
Property, plant & equipment – development/producing assets	2.3	**849.8**	1,405.3
Other property, plant & equipment and intangible assets		**11.5**	13.6
		973.4	1,664.8
Current assets			
Inventory	2.1	**12.3**	13.8
Financial assets at fair value through profit or loss		**5.2**	5.1
Cash and cash equivalents	3.1	**569.6**	146.5
Trade and other receivables	3.4	**74.6**	111.2
Derivative financial instruments	3.5	**0.2**	4.1
		661.9	280.7
Assets held-for-sale	6.3	**-**	143.5
Total assets		**1,635.3**	2,089.0
Current liabilities			
Lease liabilities	3.3	**43.2**	43.1
Derivative financial instruments	3.5	**3.2**	1.6
Trade and other payables	3.6	**91.6**	134.6
Deferred revenue	3.7	**4.8**	16.9
		142.8	196.2
Non-current liabilities			
Provisions – decommissioning	2.4	**153.2**	141.2
Lease liabilities	3.3	**196.8**	239.8
Deferred revenue	3.7	**16.9**	18.7
		366.9	399.7
Liabilities held-for-sale	6.3	**-**	37.6
Total liabilities		**509.7**	633.5
Net assets		**1,125.6**	1,455.5
Equity attributable to equity holders of the Parent			
Called-up share capital		**12.6**	12.6
Share premium		**490.1**	489.8
Shares held by ESOP/SIP Trusts		**(13.4)**	(15.8)
Foreign currency translation		**(130.8)**	(190.1)
Merger and capital reserves		**40.8**	296.7
Hedge reserve		**(3.4)**	0.4
Retained earnings		**729.7**	861.9
Total equity		**1,125.6**	1,455.5

Cairn Energy PLC
Group Statement of Cash Flows
For the year ended 31 December 2020

	Note	**2020 US$m**	2019 US$m
Cash flows from operating activities:			
(Loss)/Profit before tax from continuing operations		**(117.4)**	119.5
Loss before tax from discontinued operations	6.1	**(2.1)**	(115.6)
(Loss)/Profit before tax including discontinued operations		**(119.5)**	3.9
Adjustments for non-cash income and expense and non-operating cash flows:			
Release of deferred revenue		**(13.9)**	(17.2)
Unsuccessful exploration costs		**78.8**	145.7
Depreciation, depletion and amortisation		**223.1**	223.2
Share-based payments charge		**9.1**	11.9
Reversal of impairment of property, plant & equipment – development/producing assets		**-**	(147.3)
Impairment of goodwill		**-**	79.0
Impairment of disposal group non-current assets		**-**	65.7
(Gain)/Loss on financial assets at fair value through profit or loss		**(0.1)**	1.8
Gain on disposal of oil and gas assets		**-**	(0.7)
Finance income		**(0.8)**	(3.4)
Finance costs		**51.5**	43.4
Adjustments to operating cash flows for movements in current assets and liabilities:			
Income tax refund received relating to operating activities	6.2	**-**	2.3
Income tax paid		**-**	(0.5)
Inventory movement		**1.5**	(5.6)
Trade and other receivables movement	3.4	**16.6**	2.2
Trade and other payables movement	3.6	**11.6**	4.9
Other provisions movement		**-**	(2.8)
Net cash flows from operating activities		**257.9**	406.5
Cash flows from investing activities			
Expenditure on intangible exploration/appraisal assets		**(126.7)**	(194.6)
Expenditure on property, plant & equipment – development/producing assets		**(271.4)**	(75.5)
Expenditure on other property, plant & equipment and intangible assets		**(2.7)**	(5.0)
Proceeds on disposal of oil and gas assets	6.1	**524.8**	77.1
Costs incurred on disposal of oil and gas assets	6.1	**(1.7)**	-
Proceeds on disposal of subsidiary	6.1	**105.2**	-
Costs incurred on disposal of subsidiary	6.1	**(0.5)**	-
Cash and cash equivalents included in assets of subsidiary disposed of	6.1	**(2.2)**	-
Income tax refund received relating to investing activities	6.2	**-**	28.6
Interest received and other finance income		**0.8**	3.2
Net cash flows from/(used in) investing activities		**225.6**	(166.2)
Cash flows from financing activities			
Debt arrangement fees	3.2	**(5.3)**	-
Other interest and charges		**(7.8)**	(13.9)
Proceeds from borrowings	3.2	**139.6**	47.4
Repayment of borrowings	3.2	**(139.6)**	(134.0)
Proceeds from issue of shares		**0.3**	0.1
Cost of shares purchased		**(1.0)**	-
Lease payments	3.3	**(59.5)**	(59.5)
Lease reimbursements	3.3	**4.0**	7.0
Net cash flows used in financing activities		**(69.3)**	(152.9)
Net increase in cash and cash equivalents		**414.2**	87.4
Opening cash and cash equivalents at beginning of year		**153.7**	66.3
Foreign exchange differences		**1.7**	-
Closing cash and cash equivalents	3.1	**569.6**	153.7

Cairn Energy PLC

Group Statement of Changes in Equity

For the year ended 31 December 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 year	-	-	-	-	-	(393.8)	**(393.8)**
Fair value on hedge options	-	-	-	-	52.2	-	**52.2**
Hedging gain recycled to the Income Statement	-	-	-	-	(56.0)	-	**(56.0)**
Currency translation differences	-	-	14.7	-	-	-	**14.7**
Currency translation differences recycled on disposal of subsidiary	-	-	44.6	-	-	-	**44.6**
Total comprehensive income/(expense)	**-**	**-**	**59.3**	**-**	**(3.8)**	**(393.8)**	**(338.3)**
Merger reserve transferred to retained earnings	-	-	-	(255.9)	-	255.9	**-**
Share-based payments	-	-	-	-	-	9.1	**9.1**
Exercise of employee share options	0.3	-	-	-	-	-	**0.3**
Cost of shares purchased	-	(1.0)	-	-	-	-	**(1.0)**
Cost of shares vesting	-	3.4	-	-	-	(3.4)	**-**
At 31 December 2020	**502.7**	**(13.4)**	**(130.8)**	**40.8**	**(3.4)**	**729.7**	**1,125.6**

Section 1 – Basis of Preparation and Contingent Asset

1.1 Significant Accounting Policies

a) Basis of preparation

The consolidated Financial Statements of Cairn Energy PLC ("Cairn" or "the Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 8 March 2021. Cairn is a limited company incorporated and domiciled in the United Kingdom whose shares are publicly traded. The registered office is located at 50 Lothian Road, Edinburgh, Scotland, EH3 9BY. The registered company number is SC226712.

Cairn prepares its Financial Statements on a historical cost basis, unless accounting standards require an alternate measurement basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed either in the relevant accounting policy or in the notes to the Financial Statements. The Financial Statements comply with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards ("IFRS"). Accounting policies have been applied consistently across all periods disclosed.

The Group's Financial Statements are prepared on a going concern basis.

b) Accounting standards

Cairn prepares its Financial Statements in accordance with applicable IFRS, issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") in conformity with the requirements of the Companies Act 2006 and pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union, and further requirements under the Companies Act 2006 applicable to companies reporting under IFRS. The Group's Financial Statements are also consistent with IFRS as issued by the IASB as they apply to accounting periods ended 31 December 2020.

Effective 1 January 2020, Cairn has adopted the following amendments to standards:
– Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies"
– Amendments to IFRS 3 "Business Combinations"
– Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"
– Revised Conceptual Framework for financial reporting

The adoption of the amendments above has had no material impact on Cairn's results or financial statement disclosures.

There are no new standards or amendments, issued by the IASB and endorsed under the Companies Act, that have yet to be adopted by the Group that will materially impact the Group's Financial Statements.

c) Annual report and accounts

Full accounts are due to be made available on the Company's website in April 2021 and will be available at the Company's registered office, 50 Lothian Road, Edinburgh, EH3 9BY. The Annual General Meeting is due to be held on Tuesday 11 May 2021 at 12 midday.

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 mitigants and ensuring the Group has sufficient funding to meet its current commitments as and when they fall due for a period of at least 12 months from the date of approval of the Financial Statements. These forecasts assume completion of the Shell Western Desert acquisition within the conditions of the associated financing facilities for which the Group has obtained commitment letters from external lenders. Additionally, these forecasts also include scenarios that take account of a prolonged economic downturn as a result of COVID-19 which has led to volatility in oil prices across 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.

1.3 Restatement of Comparative Information

Following the sale of the Group's interests in Norway, which completed in February 2020, comparative information has been restated where appropriate to separate the UK & Norway operating segment into geographical components. This impacts comparative disclosures in notes 2.2, 2.3 and 4.1.

As detailed in notes 4.2 and 7.1, the weighted average number of shares used in both basic and diluted earnings per share calculations, disclosed on the Income Statement was adjusted to reflect the share consolidation in January 2021.

Section 1 – Basis of Preparation and Contingent Asset

1.4 Contingent Asset

Arbitration Award Settlement due from the Government of India
On 23 December 2020, Cairn announced that the tribunal established to rule on its claim against the Government of India ("GoI") had found unanimously in Cairn's favour. Cairn's claim was brought under the terms of the UK-India Bilateral Investment Treaty (the "Treaty"), the legal seat of the tribunal was the Netherlands and the proceedings were under the registry of the Permanent Court of Arbitration.

The tribunal ruled unanimously that India had breached its obligations to Cairn under the UK-India Bilateral Investment Treaty and that compensation was due.

Addressing the jurisdiction of the arbitration, the tribunal ruled that the dispute was within the scope of the Treaty and other relevant legal parameters. It further ruled that the application to Cairn of the retrospective tax amendment introduced by the GoI was "grossly unfair", discriminatory and in breach of the "Fair and Equitable Treatment" standard of the Treaty.

The Tribunal therefore ordered the withdrawal of the tax demand in India and awarded to Cairn compensation equal to the value of the shares held in Cairn India Limited (subsequently merged with Vedanta Limited) seized by India in 2014 and withheld tax refunds due on other matters, totalling US$1,223m plus interest and costs, which is now payable. Interest is payable based on US$ six-month LIBOR plus a semi-annual margin of 1.375%, accruing from 2014, and the costs awarded totalled US$22m. The total amount due to Cairn at 31 December 2020 was US$1,725m.

Cairn has engaged directly with the GoI regarding satisfaction of the award, and it is also enforceable against Indian-owned assets in more than 160 countries that have signed and ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Cairn has already taken steps to have the award recognised in certain major jurisdictions in which Indian sovereign assets have been identified.

Cairn is extremely confident that satisfaction of the award will be achieved either by negotiated settlement or by enforcement against Indian assets (with potential financing and risk sharing options available to accelerate access to cash recovered through enforcement). However, at the date of this report, neither route to recovery is sufficiently well defined in terms of the timing and amount of expected settlement to provide the virtual certainty required by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which would allow recognition of an asset on the Balance Sheet. The receivable under the award therefore remains classified as a contingent asset at this time.

Section 2 – Oil and Gas Assets and Operations

2.1 Gross Profit: Revenue and Cost of Sales

	Year ended 31 December 2020 US$m	Year ended 31 December 2019 US$m
Oil sales	**323.7**	501.6
Gas sales	**0.8**	2.6
Gain on hedge options designated for hedge accounting	**56.0**	10.9
Loss on hedge options not designated for hedge accounting	**(0.1)**	-
Release of deferred revenue (note 3.7)	**13.9**	17.2
Revenue from oil and gas sales	**394.3**	532.3
Royalty income	**0.4**	1.1
Total revenue	**394.7**	533.4
Production costs	**(75.9)**	(68.1)
Oil inventory and underlift (decrease)/increase	**(16.6)**	20.6
Variable lease charges (note 3.3)	**(23.0)**	(25.6)
Cost of sales	**(115.5)**	(73.1)
Depletion and amortisation (note 2.3)	**(215.7)**	(217.2)
Gross profit	**63.5**	243.1

Revenue
Cairn receives revenue from its two producing assets in the UK North Sea, Kraken and Catcher. On Kraken, where only oil is sold, Cairn took a full lifting of crude on a scheduled basis to reflect the Group's working interest until a change in the marketing of Kraken crude during the second half of 2020 which results in Cairn now receiving its working interest percentage share of each lifting of crude. This now aligns with Catcher where the Group receives its working interest share of each lifting of crude and its working interest share of Catcher gas sales. Payment terms are within 30 days.

Net sales volumes during the year averaged ~21,000 boepd (2019: ~21,400 boepd) for the two assets combined, realising an average sales price of US$42.23/boe (2019: US$64.52/boe).

COVID-19 contributed to pricing volatility during 2020 but had no significant impact on production levels.

Commodity price hedging
During 2020, Cairn realised gains on hedge options designated for hedge accounting of US$56.0m (2019: US$10.9m) as the oil price fell below the floor on several hedge contracts. Hedging gains and/or losses on hedge options designated for hedge accounting are recycled to the Income Statement from Other Comprehensive Income when the option matures.

Details on the Group's hedging position at 31 December 2020 can be found in note 3.5.

Cost of sales and Inventory
Inventory of oil held at the year end is recorded at a market value of US$12.3m (2019: US$13.8m). Underlift adjustments on Kraken production volumes of US$15.1m at 31 December 2019 fully unwound during 2020 following the change in the marketing of the crude. There is now no overlift or underlift adjustment on either Catcher or Kraken. The total inventory and underlift decrease in the year was US$16.6m (2019: increase of US$20.6m).

Variable lease costs on the Kraken FPSO of US$10.6m (2019: US$10.5m) and on the Catcher FPSO of US$12.4m (2019: US$15.1m) are charged to the Income Statement. Details on leases can be found in note 3.3.

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	-	-	(0.4)	-	-	(0.4)
Additions	58.9	3.9	33.4	108.3	19.5	224.0
Unsuccessful exploration costs	-	(5.9)	-	(84.7)	(31.0)	(121.6)
Unsuccessful exploration costs – discontinued operations	-	-	(38.7)	-	-	(38.7)
Transfer to development/producing assets	(378.8)	(30.3)	-	-	-	(409.1)
Transfer to assets held-for-sale (note 6.3)	-	-	(30.1)	-	-	(30.1)
At 31 December 2019	143.1	57.2	-	56.3	25.3	281.9
Additions	2.6	8.9	-	59.5	21.2	**92.2**
Unsuccessful exploration costs	-	(20.6)	-	(46.6)	(11.6)	**(78.8)**
Disposals	(145.7)	(1.5)	-	-	-	**(147.2)**
At 31 December 2020	**-**	**44.0**	**-**	**69.2**	**34.9**	**148.1**
Impairment						
At 1 January 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 and 31 December 2020	**-**	**36.0**	**-**	**-**	**-**	**36.0**
Net book value						
At 31 December 2018	463.0	41.4	35.8	32.7	22.2	595.1
At 31 December 2019	143.1	21.2	-	56.3	25.3	245.9
At 31 December 2020	**-**	**8.0**	**-**	**69.2**	**34.9**	**112.1**

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

Cairn completed the sale of its Norwegian business in February 2020 and disposed of its 40% working interest in its Senegal exploration assets in December 2020. See note 6.1.

UK
Additions in the year include the acquisition and subsequent costs on 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. During the year US$4.2m and US$2.3m were incurred on the Jaws and Diadem prospects respectively with remaining additions of US$2.4m incurred across the rest of the UK portfolio of licences.

US$20.6m was charged to the Income Statement as unsuccessful costs in the year, including US$19.4m on the Agar-Plantain licence which was relinquished early in 2021 after concluding that the discovery was not commercially viable in a lower oil-price environment.

LATAM
Additions of US$59.5m include US$56.0m in Mexico and US$4.2m in Suriname, offset by accrual reversals in Nicaragua of US$0.7m.

In Mexico the Block 9 Bitol-1 and Block 7 Ehecatl-1 exploration wells were drilled during the year with additions of US$30.2m and US$17.1m incurred respectively. Both wells were declared unsuccessful and US$47.3m charged to the Income Statement. Remaining additions in Mexico of US$8.7m were not directly attributable to either well. The carrying value of assets in Mexico at the year end was US$55.7m, with US$38.8m of costs on Block 9, US$11.7m on Block 7 and US$5.2m relating to Block 15. The farm-in and farm-down agreements with Eni, effectively creating a 'swap' of a 15% interest in Block 9 for a 15% non-operated interest in neighbouring Block 10, containing the Saasken discovery, have not yet been completed due to COVID-19 delays. Additions in 2020 include US$14.8m incurred under short-term lease contracts.

Suriname additions in the year were US$4.2m and total costs of US$13.5m remain capitalised at the year end.

East Atlantic
East Atlantic additions of US$21.2m primarily relate to Mauritania and Côte d'Ivoire.

In 2020 Cairn became operator of blocks CI-301 and CI-302 offshore Côte d'Ivoire and agreed to relinquish blocks CI-518, CI-519, CI-521 and CI-522.

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

2.2 Intangible Exploration/Appraisal Assets (continued)

Cairn retains a non-operated interest in block CI-520. Additions in the year of US$8.6m were incurred across the seven blocks. On relinquishment of the four blocks, US$11.6m was charged to the Income Statement as unsuccessful costs. Costs of US$12.2m remain capitalised at the year end.

Costs capitalised in Mauritania at the year end of US$21.0m relate to Block 7. The initial licence has expired following the operator's withdrawal, but Cairn has applied for a new licence on the same acreage. Cairn are confident that this application shall be successful, therefore costs continue to be carried in the Balance Sheet. Additions in the year of US$11.3m primarily relate to the farm-in payment to the original licence.

Impairment Review

At the year end, Cairn reviewed its remaining intangible exploration/appraisal assets for indicators of impairment. No indicators of impairment were identified.

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	-	-	-	(5.8)	(5.8)
Additions	-	16.3	-	50.2	66.5
Increase in decommissioning asset	-	10.8	2.9	4.5	18.2
Transfer from exploration/appraisal assets	378.8	18.2	-	-	397.0
Disposal	-	-	-	(82.1)	(82.1)
Transfer to assets held-for-sale (note 6.3)	-	-	-	(89.0)	(89.0)
At 31 December 2019	378.8	1,138.7	316.3	-	1,833.8
Additions	223.2	35.6	-	-	**258.8**
Increase in decommissioning asset	-	3.4	-	-	**3.4**
Disposals	(602.0)	-	-	-	**(602.0)**
At 31 December 2020	**-**	**1,177.7**	**316.3**	**-**	**1,494.0**
Depletion, amortisation and impairment					
At 1 January 2019	-	336.9	21.7	-	358.6
Depletion and amortisation charges	-	160.7	56.5	-	217.2
Reversal of impairment	-	(147.3)	-	-	(147.3)
At 31 December 2019	-	350.3	78.2	-	428.5
Depletion and amortisation charges	-	166.7	49.0	-	**215.7**
At 31 December 2020	**-**	**517.0**	**127.2**	**-**	**644.2**
Net book value					
At 31 December 2018[1]	-	756.5	144.2	122.2	1,022.9
At 31 December 2019	378.8	788.4	238.1	-	1,405.3
At 31 December 2020	**-**	**660.7**	**189.1**	**-**	**849.8**

[1]The 2018 net book value excludes the IFRS 16 opening balance adjustment of US$147.5m recorded on 1 January 2019

The Group's UK producing assets contain two cash generating units; the Kraken development area, including the Worcester satellite field, and the Greater Catcher and Laverda development areas which form a single unit.

Additions during the year of US$258.8m relate to development activity funded through cash and working capital and include US$10.4m of costs under short-term lease contracts.

Additions of US$223.2m were incurred in Senegal prior to disposal of the development asset, see note 6.1. These costs principally related to the FPSO facility and subsea construction for the Sangomar field development.

In the UK, additions of US$35.6m consist of Kraken costs of US$18.2m, including drilling costs of the Worcester well, and Catcher spend of US$17.4m, where the Varadero infill well and subsea installation were completed in the year. Drilling of the Catcher North and Laverda development wells have been delayed due to COVID-19 uncertainties.

The increase in the decommissioning asset in the current year of US$3.4m relates to changes in estimates for both Kraken and Catcher. The 2019 increase was due to a change in estimate for Kraken in the UK and for Nova in Norway.

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

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

Disposals and transfers to assets held-for-sale during 2019 relate to the sale of a 10% working interest in the Nova asset and subsequent disposal of the Norwegian business respectively. See notes 6.1 and 6.4.

Combined depletion and amortisation charges for the year of US$215.7m (2019: US$217.2m) were charged to the Income Statement.

Leased Assets
There were no changes to the Kraken or Catcher FPSO lease terms during the current or previous year.

Impairment Review
At 31 December 2020, following a reduction in the Group's long-term oil price assumption, impairment tests were conducted on the Group's UK producing assets at the balance sheet date. No impairment was identified. Sensitivity analysis on the Group's impairment tests can be found in note 2.6.

During 2019, production performance on Kraken improved significantly and in addition the Operator conducted more regular well testing to improve reservoir monitoring. Consequently, Cairn revised production profile estimates upward reflecting this improvement while also incorporating new volumes associated with the Worcester satellite field, subsequently developed in 2020. The changes to the production profile resulting from improved performance is an indicator that prior year impairment charges may no longer exist or may have decreased. The resultant impairment test indicated that a full reversal of prior year impairment charges should be recorded. The reversal was capped to US$147.3m, being the brought-forward impairment adjusted for the depletion that would have been charged had no impairment been recorded.

Proposed sale of Catcher and Kraken Producing Assets
On 8 March 2021, Cairn entered into a sales agreement to dispose of its entire interests in the Catcher and Kraken producing assets (note 7.3). As the sales process was not sufficiently advanced at the year end, the assets have not been reclassified as Assets Held-for-Sale at the balance sheet date.

2.4 Provisions – Decommissioning

	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	0.1	5.7	5.8
Unwinding of discount	-	2.6	2.6
Provided in the year	-	18.2	18.2
Released on disposal (note 6.4)	-	(1.8)	(1.8)
Transferred to liabilities held-for-sale (note 6.3)	-	(2.7)	(2.7)
At 31 December 2019	1.4	139.8	141.2
Foreign exchange	0.1	4.9	**5.0**
Unwinding of discount	-	2.9	**2.9**
Provided in the year	0.7	3.4	**4.1**
At 31 December 2020	**2.2**	**151.0**	**153.2**

Decommissioning provisions at 31 December 2020 represent the present value of decommissioning costs related to the Kraken and Catcher development/producing assets and exploration well abandonment provisions in the UK. Amounts provided during the year of US$3.4m reflect additional decommissioning costs for the wells drilled in the year. During 2019, a provision of US$4.5m was introduced for development activities undertaken on Nova, which were released through disposal and the balance transferred to liabilities held-for-sale. Further provisions during 2019 relate to revised decommissioning estimates for Kraken.

Provisions are based on operator cost estimates, subject to internal Cairn review and amendment where considered necessary and are calculated using assumptions based on existing technology and the current economic environment, with a discount rate of 0.0% and 0.7% per annum for Catcher and Kraken respectively (2019: 2.0%). The rates are based on the UK risk free rate to the maturity of the respective decommissioning liability. The reasonableness of these assumptions is reviewed at each reporting date.

The decommissioning provisions represent management's best estimate of the obligation arising based on work undertaken 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/producing assets is forecast to occur between 2026 and 2036.

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

2.5 Capital Commitments

	At 31 December 2020 US$m	At 31 December 2019 US$m
Oil and gas expenditure:		
Intangible exploration/appraisal assets	**46.2**	96.7
Property, plant & equipment – development/producing assets	**7.9**	460.0
Contracted for	**54.1**	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.

The capital commitments for intangible exploration/appraisal assets include US$25.9m (2019: US$40.4m) for operations in the UK and US$13.1m (2019: US$37.9m) commitments in LATAM, predominantly Mexico.

The capital commitments for property, plant & equipment – development/producing assets at 31 December 2019 related principally to Senegal.

As at 31 December 2020, Cairn had the following commitments relating to short-term leases. These amounts are also included in the total of capital commitments shown above.

	Exploration/ Appraisal assets US$m	Development/ Producing assets US$m	**Total US$m**
Lease commitments at 31 December 2020	**6.0**	**-**	**6.0**
Lease commitments at 31 December 2019	9.5	10.6	20.1

2.6 Impairment Testing Sensitivity Analysis

UK Producing Assets

At 31 December 2020, impairment tests were conducted on the Group's UK producing asset cash generating units. No impairment was recorded.

Cairn has run sensitivities on its long-term oil price assumption of US$55/bbl, using alternate long-term price assumptions of US$50/bbl and long-term prices based on the IEA's World Economic Outlook 2020 Sustainable Development Scenario ('WEO-2020'). These are considered to be reasonably possible long-term changes for the purposes of sensitivity analysis. The impact on the carrying value of development/producing assets is shown below.

Reduction in long-term oil price assumption to:	**WEO-2020 US$m**	**US$50/bbl US$m**
Reduction in carrying value of development/producing assets	**60.5**	**72.0**

The oil price at the end of the Group's short-term, forward-curve based assumption period was US$48/bbl and the impact of using this price as a long-term assumption does not materially differ from the US$50/bbl sensitivity shown above.

The Group's proved and probable and contingent reserve estimates are based on P50 probabilities. P10 and P90 estimates are also produced but would not provide a reasonable estimate to be used in calculating the fair value of the Group's assets.

The valuations of Catcher and Kraken used in the year end impairment test have not been updated to reflect the combined value of the assets in the sales agreement entered with Waldorf Production Limited (note 7.3). However, the sales value agreed would not indicate any impairment of the producing assets.

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

3.1 Cash and Cash Equivalents

	At 31 December 2020 US$m	At 31 December 2019 US$m
Cash at bank	**4.3**	7.0
Money market funds	**565.3**	139.5
	569.6	146.5

Closing cash balances held by Capricorn Norge AS at 31 December 2019 of US$7.2m (note 6.3) were included in closing cash and cash equivalents disclosed in the 2019 cash flow statement of US$153.7m.

Cash and cash equivalents earn interest at floating rates. Short-term investments are made for varying periods, which can be as short as instant access but generally not more than three months, depending on the cash requirements of the Group.

At 31 December 2019 and 2020 Cairn has invested surplus funds into money market funds. Cairn limits the placing of funds and other investments to banks or financial institutions that have ratings of A- or above from at least two of Moody's, Standard & Poor's or Fitch, unless a sovereign guarantee is available from a AAA- rated government. The counterparty limits vary between US$50.0m and US$200.0m depending on the ratings of the counterparty. No investments are placed with any counterparty with a five-year credit default swap exceeding 250 bps. Investments in money market liquidity funds are only made with AAA rated liquidity funds and the maximum holding in any single fund is 20% of total investments.

3.2 Loans and Borrowings

Reconciliation of opening and closing liabilities to cash flow movements:	**Year ended 31 December 2020 US$m**	Year ended 31 December 2019 US$m
Opening liabilities	**-**	101.7
Loan advances disclosed in the Cash Flow Statement:		
RBL advances in the year	**100.0**	20.0
Senegal Bridge Facility advances in the year	**39.6**	-
EFF advances in the year	**-**	27.4
	139.6	47.4
Loan repayments disclosed in the Cash Flow Statement:		
RBL repayments in the year	**(100.0)**	(105.0)
Senegal Bridge Facility repayments in the year	**(39.6)**	-
EFF repayments in the year	**-**	(29.0)
	(139.6)	(134.0)
Other movements in Cash Flow Statement:		
Debt arrangement fees	**(5.3)**	-
Non-cash movements:		
Foreign exchange	**-**	(1.6)
Amortisation of debt arrangement fees	**6.3**	1.9
Transfer of unamortised arrangement fees from prepayments	**(8.5)**	-
Transfer of unamortised arrangement fees to prepayments	**7.5**	8.5
Transferred to liabilities held-for-sale (note 6.3)	**-**	(23.9)
Closing liabilities	**-**	-

RBL
The Group's RBL facility was undrawn at 31 December 2020 and 31 December 2019.

Interest on debt drawn is charged at the appropriate LIBOR for the currency drawn plus an applicable margin. The facility remains subject to biannual redeterminations, has a market standard suite of covenants and is cross-guaranteed by all Group companies party to the facility. Any debt drawn is repayable in line with the amortisation of bank commitments over the period from 1 July 2022 to the extended final maturity date of 31 December 2025.

Total commitments under the facility are US$575.0m. An accordion feature permits additional future commitments of up to US$425.0m. The maximum available drawdown at 31 December 2020 was US$107.0m available to several Group companies. The facility can also be used for general corporate purposes and may also be used to issue letters of credit and performance guarantees for the Group of up to US$250.0m.

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

3.2 Loans and Borrowings (continued)

Senegal Bridge Facility
Cairn signed a Bridge loan facility with a syndicate of international banks, effective 25 September 2020. The purpose of the facility was to fund Senegal-related development and general and administrative expenses from 1 September 2020 until completion of the sale of Senegal assets to Woodside.

Total commitments under the facility were US$250.0m and interest on debt drawn was charged at the appropriate LIBOR for the interest period drawn plus an applicable margin.

The facility was drawn from September to December 2020, then repaid in full and cancelled on 23 December 2020, after proceeds were received from the sale of the Senegal assets.

EFF
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. No advances were drawn under this facility in the current year prior to disposal.

3.3 Lease Liabilities

Reconciliation of opening and closing liabilities to cash flow movements:	**Year ended 31 December 2020 US$m**	Year ended 31 December 2019 US$m
Opening lease liabilities	**282.9**	322.9
Leases commenced/revisions to leases in year:		
Revisions to lease liabilities	**-**	0.4
Lease payments disclosed in the Cash Flow Statement as financing cash flows:		
Total lease payments	**(82.5)**	(85.1)
Variable lease payments (note 2.1)	**23.0**	25.6
	(59.5)	(59.5)
Other movements in the Cash Flow Statement:		
Reimbursements received from lessors	**4.0**	7.0
Non-cash movements:		
Foreign exchange	**0.3**	0.4
Reimbursements due transferred from other receivables	**(1.0)**	(3.0)
Lease interest charges	**13.3**	15.3
Transferred to liabilities held-for-sale (note 6.3)	**-**	(0.6)
Closing liabilities	**240.0**	282.9
Amounts due less than one year:		
Tangible development/producing assets - right-of-use assets	**40.9**	41.0
Other property, plant & equipment - right-of-use assets	**2.3**	2.1
	43.2	43.1
Amounts due greater than one year:		
Tangible development/producing assets - right-of-use assets	**193.1**	234.0
Other property, plant & equipment - right-of-use assets	**3.7**	5.8
	196.8	239.8
Total lease liabilities	**240.0**	282.9

Variable lease costs are disclosed in note 2.1. Amortisation charges on right-of-use assets relating to property, plant & equipment – development/producing assets are disclosed in note 2.3. Amortisation 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 31 December 2020 is US$189.1m (2019: US$238.1m) (note 2.3) and the carrying value of right-of-use assets included in other property, plant & equipment is US$5.2m (2019: US$7.0m).

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

3.4 Trade and Other Receivables

	At 31 December 2020 US$m	At 31 December 2019 US$m
Trade receivables	**16.4**	22.3
Other receivables	**15.3**	9.0
Accrued income – underlift (note 2.1)	**-**	15.1
Prepayments	**11.1**	14.0
Joint operation receivables	**31.8**	50.8
	74.6	111.2

Trade receivables are measured at amortised cost. Revenue is recognised at the point in time where title passes to the customer and payment becomes unconditional.

Reconciliation of opening and closing receivables to operating cash flow movements:	Year ended 31 December 2020 US$m	Year ended 31 December 2019 US$m
Opening trade and other receivables	**111.2**	91.2
Closing trade and other receivables	**(74.6)**	(111.2)
Decrease/(Increase) in trade and other receivables	**36.6**	(20.0)
Foreign exchange	**(2.2)**	1.3
Increase in joint operation receivables relating to investing activities	**9.2**	17.7
(Decrease)/Increase in prepayments and other receivables relating to other non-operating activities	**(2.2)**	10.5
Joint operation receivables derecognised on disposal of Senegal assets	**(24.1)**	-
Other receivables transferred to assets held-for-sale (note 6.3)	**-**	(7.3)
Increase in other receivables classified as assets held-for-sale	**(0.7)**	-
Trade and other receivables movement	**16.6**	2.2

The movements in joint operation receivables relating to investing activities relate to the Group's share of the receivables of joint operations in respect of exploration, appraisal and development activities. Cash flow movements during 2019 include amounts for Norwegian operations. Movements relating to production activities are included in amounts through operating cash flows.

Other non-operating cash flow movements for 2019 primarily relate to the reclassification of prepaid facility fees.

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

3.5 Derivative Financial Instruments

	At 31 December 2020 US$m	At 31 December 2019 US$m
Current assets		
Financial assets – hedge options maturing within one year	**0.2**	4.1
Current liabilities		
Financial liabilities – hedge options maturing within one year	**(3.2)**	(1.6)
	(3.0)	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 and losses on oil price hedge options are recorded as financial assets and financial liabilities as appropriate at 31 December 2020.

At 31 December 2020 the Group had hedged ~1.0m barrels of 2021 forecast Kraken and Catcher oil production, using three-way collar and swap structures. ~0.5m barrels of production have been hedged through three-way collars, with a weighted average ceiling, floor and sub-floor prices of US$55.00/bbl, US$48.27/bbl and US$35.00/bbl respectively (all prices quoted relate to dated Brent). ~0.5m barrels of production have been hedged through swap options with a weighted average strike price of US$45.20/bbl. At 31 December 2020, no production forecast beyond 31 December 2021 had been hedged.

The three-way collars and swaps have been designated as hedges for hedge accounting. Hedge effectiveness is assessed at commencement of the option and prospectively thereafter. At the year end, the closing Brent oil price was US$50.49/bbl (2019: US$66.00/bbl). Fair value movements on the cost of the option are recorded in the Statement of Comprehensive Income in the year, with fair value losses of US$3.8m being offset by fair value gains on options that matured in the year of US$56.0m. The gain on matured options has been recycled to the Income Statement. In 2019 fair value losses of US$40.6m were offset by fair value gains of US$10.9m on options that matured in the year. The gain on matured options was recycled to the Income Statement.

Hedge options outstanding at the year end	At 31 December 2020	At 31 December 2019
Volume of oil production hedged	**1.0mmbbls**	2.8mmbbls
Weighted average sub-floor price of options	**US$35.00**	-
Weighted average floor price of options	**US$48.27**	US$62.09
Weighted average ceiling price of options	**US$55.00**	US$74.89
Weighted average strike price of swaps	**US$45.20**	US$61.85
Maturity dates	**January 2021 – December 2021**	January 2020 – December 2020

Effects of hedge accounting on financial position and (loss)/profit for the year	2020 US$m	2019 US$m
Financial assets	**0.2**	4.1
Financial liabilities	**(3.2)**	(1.6)
Accruals and other payables – accrued option costs	**(0.5)**	(2.1)
Fair value gain/(loss) on hedge options recorded in Other Comprehensive Income	**52.2**	(29.7)
Hedging gain recycled to Income Statement	**(56.0)**	(10.9)
Hedging gain recorded in Income Statement within revenue (note 2.1)	**56.0**	10.9

Sensitivity analysis
Sensitivity analysis has been performed on equity movements that would arise from changes in the year end oil price forward curve and the resulting impact on the fair value of open hedge options at the year end. The sensitivity analysis considers only the impact on line items directly relating to hedge accounting (being financial assets and liabilities and fair value gains through Other Comprehensive Income) and not the impact of the change of other balance sheet items where valuation is based on the year end oil price, such as inventory.

Increase/(decrease) in equity	At 31 December 2020 US$m	At 31 December 2019 US$m
Change in year end oil price forward curve		
Decrease of 10%	**8.8**	12.4
Decrease of 20%	**4.2**	26.6
Increase of 10%	**(4.3)**	(12.6)
Increase of 20%	**(9.2)**	(25.5)

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

3.6 Trade and Other Payables

	At 31 December 2020 US$m	At 31 December 2019 US$m
Trade payables	**10.6**	0.9
Other taxation and social security	**1.6**	0.9
Accruals and other payables	**42.3**	25.4
Joint operation payables	**37.1**	107.4
	91.6	134.6

Accruals and other payables include US$11.3m payable to the previous marketing agent for the sale of Kraken crude and US$6.0m of costs relating to the disposal of Senegal assets.

Joint operation payables include US$9.6m (2019: US$71.4m), US$5.1m (2019: US$5.5m) and US$22.4m (2019: US$30.5m) relating to exploration/appraisal assets, development/producing assets and production costs respectively.

The decrease in joint operation payables for exploration/appraisal assets at the balance sheet date compared to the prior year was due to payables of US$49.2m at 31 December 2019 relating to the Mexico drilling campaign.

Reconciliation of opening and closing payables to operating cash flow movements:	**Year ended 31 December 2020 US$m**	Year ended 31 December 2019 US$m
Opening trade and other payables	**(134.6)**	(103.1)
Closing trade and other payables	**91.6**	134.6
(Decrease)/Increase in trade and other payables	**(43.0)**	31.5
Foreign exchange	**(0.6)**	(1.1)
(Increase)/Decrease in trade payables relating to investing activities	**(2.2)**	1.1
Decrease/(Increase) in joint operation payables relating to investing activities	**44.3**	(40.4)
Decrease in accruals and other payables relating to other non-operating activities	**2.1**	3.4
Joint operation payables derecognised on disposal of Senegal assets	**11.4**	-
Trade and other payables transferred to liabilities held-for-sale (note 6.3)	**-**	10.4
Decrease in other payables classified as liabilities held-for-sale	**(0.4)**	-
Trade and other payables movement recorded in operating cash flows	**11.6**	4.9

Movements above for investing activities relate to exploration, appraisal and development activities through the Group's joint operations. Movements relating to production activities are included in amounts through operating cash flows.

The movement in trade and other payables recorded in the Cash Flow Statement through operating cash flows primarily arises on production activities in the UK North Sea.

3.7 Deferred Revenue

FlowStream deferred revenue	**2020 US$m**	2019 US$m
At 1 January	**35.6**	52.8
Released during the year (note 2.1)	**(13.9)**	(17.2)
At 31 December	**21.7**	35.6
Amounts expected to be released within one year	**4.8**	16.9
Amounts expected to be released after one year	**16.9**	18.7
	21.7	35.6

Deferred revenue relates to the stream agreement with FlowStream entered into in 2017. A step-down in the percentage of Kraken crude sales attributable to FlowStream, triggered during 2020, has reduced the amounts that fall payable within 12 months from the balance sheet date.

Section 4 – Income Statement Analysis

4.1 Segmental Analysis

Geographical information: non-current assets	**At 31 December 2020 US$m**	At 31 December 2019 US$m
Senegal	**-**	521.9
UK	**857.8**	1,047.7
Mexico	**57.1**	49.0
Suriname	**13.5**	9.2
LATAM	**70.6**	58.2
Côte d'Ivoire	**12.2**	15.2
Mauritania	**21.0**	9.8
Israel	**1.7**	0.3
East Atlantic	**34.9**	25.3
Other UK	**10.1**	11.7
Total non-current assets	**973.4**	1,664.8

Section 4 – Income Statement Analysis (continued)

4.1 Segmental Analysis (continued)

The segment results for the year ended 31 December 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 adjust-ment for segments US$m	**Total US$m**
Revenue	-	394.3	-	-	-	0.4	-	**394.7**
Cost of sales	-	(115.5)	-	-	-	-	-	**(115.5)**
Depletion and amortisation charges	-	(215.7)	-	-	-	-	-	**(215.7)**
Gross profit	**-**	**63.1**	**-**	**-**	**-**	**0.4**	**-**	**63.5**
Pre-award costs	-	(1.0)	-	(2.7)	(1.6)	(6.8)	-	**(12.1)**
Unsuccessful exploration costs	-	(20.6)	-	(46.6)	(11.6)	-	-	**(78.8)**
Other operating income	-	-	-	-	-	1.4	-	**1.4**
Depreciation – purchased assets	-	-	-	-	-	(0.1)	-	**(0.1)**
Amortisation – right-of-use assets	-	-	-	(0.2)	-	(1.9)	-	**(2.1)**
Amortisation of other intangible assets	-	-	-	(0.3)	-	(4.6)	-	**(4.9)**
Other administrative expenses	-	(0.1)	-	(0.2)	-	(33.7)	-	**(34.0)**
Operating profit/(loss)	**-**	**41.4**	**-**	**(50.0)**	**(13.2)**	**(45.3)**	**-**	**(67.1)**
Gain on fair value of financial assets	-	-	-	-	-	0.1	-	**0.1**
Interest income	-	-	-	-	-	0.8	-	**0.8**
Finance costs	-	(23.6)	-	0.2	-	(27.8)	-	**(51.2)**
Profit/(Loss) before taxation from continuing operations	**-**	**17.8**	**-**	**(49.8)**	**(13.2)**	**(72.2)**	**-**	**(117.4)**
Tax charge	-	-	-	(0.1)	-	-	-	**(0.1)**
Profit/(Loss) for the year from continuing operations	**-**	**17.8**	**-**	**(49.9)**	**(13.2)**	**(72.2)**	**-**	**(117.5)**
Loss from discontinued operations	(237.3)	-	(39.0)	-	-	-	-	**(276.3)**
(Loss)/Profit attributable to equity holders of the Parent	**(237.3)**	**17.8**	**(39.0)**	**(49.9)**	**(13.2)**	**(72.2)**	**-**	**(393.8)**
Balances as at 31 December 2020:								
Capital expenditure	**225.8**	**47.9**	**5.5**	**59.5**	**21.2**	**4.9**	**(5.5)**	**359.3**
Total assets	**0.6**	**917.1**	**-**	**97.1**	**39.1**	**581.4**	**-**	**1,635.3**
Total liabilities	**-**	**464.7**	**-**	**6.3**	**3.2**	**35.5**	**-**	**509.7**
Non-current assets	**-**	**857.8**	**-**	**70.6**	**34.9**	**10.1**	**-**	**973.4**

All revenue in the UK segment is attributable to the sale of oil and gas produced in the UK. 31.3% of the Group's sales of oil and gas are to a single customer that marketed the crude on Cairn's behalf and delivered it to the ultimate buyers, prior to a change in the marketing of crude during the second half of 2020.

All transactions between the segments are carried out on an arm's length basis.

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 adjust-ment 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 for the year 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

All revenue in the UK segment was attributable to the sale of oil and gas produced in the UK. 38.0% of the Group's sales of oil and gas were to a single customer that marketed the crude on Cairn's behalf and delivered it to the ultimate buyers.

Section 4 – Income Statement Analysis (continued)

4.2 Earnings per Ordinary Share

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

	At 31 December 2020 US$m	At 31 December 2019 US$m
(Loss)/Profit and diluted (loss)/profit after taxation from continuing operations	**(117.5)**	119.2
(Loss)/Profit and diluted (loss)/profit attributable to equity holders of the Parent	**(393.8)**	93.6

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

	Number of shares 2020 '000	Number of shares 2019 '000
Weighted average number of shares	**589,782**	589,751
Less weighted average shares held by ESOP and SIP Trusts	**(7,041)**	(7,731)
Basic weighted average number of shares	**582,741**	582,020
Potential dilutive effect of shares issuable under employee share plans:		
LTIP awards	**-**	4,057
Approved and unapproved plans	**-**	43
Employee share awards	**-**	1,886
Diluted weighted average number of shares	**582,741**	588,006
Potentially issuable shares not included above:		
LTIP awards	**25,818**	20,877
Approved and unapproved plans	**2,845**	2,734
Employee share awards	**4,620**	1,679
Number of potentially issuable shares	**33,283**[1]	25,290

[1] 2020 potentially issuable shares were all anti-dilutive due to the loss for the year

The weighted average number of shares used in the calculations of earnings per share above has been adjusted to reflect the consolidation of shares which took place in January 2021. Further details of the consolidation are provided in note 7.1.

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Section 5 – Taxation

5.1 Tax Charge on (Loss)/Profit for the Year

Analysis of Tax Charge on (Loss)/Profit for the year

	Year ended 31 December 2020 US$m	Year ended 31 December 2019 US$m
Current tax charge:		
Overseas corporation taxes	**0.1**	0.3
Total tax charge on (loss)/profit from continuing operations	**0.1**	0.3

Factors Affecting Tax Charge for the Year
A reconciliation of the income tax charge applicable to the (loss)/profit before income tax to the UK statutory rate of income tax is as follows:

	Year ended 31 December 2020 US$m	Year ended 31 December 2019 US$m
(Loss)/Profit before tax from continuing operations	**(117.4)**	119.5
(Loss)/Profit before tax multiplied by the UK statutory rate of corporation tax of 19% (2019: 19%)	**(22.3)**	22.7
Effect of:		
Special tax rates and reliefs applying to oil and gas activities	**(16.9)**	64.4
Impact on deferred tax of adjustments in respect of prior years	**(2.0)**	(3.3)
Temporary differences not recognised	**37.3**	(100.2)
Permanent items non-deductible	**7.9**	16.6
Exchange differences	**(3.9)**	-
Other	**-**	0.1
Total tax charge on (loss)/profit from continuing operations	**0.1**	0.3

The reconciliation shown above has been based on the average UK statutory rate of corporation tax for 2020 of 19% (2019: 19%).

The UK main rate of corporation tax is currently 19% (2019: 19%). In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The applicable UK statutory tax rate applying to North Sea oil and gas activities is 40% (2019: 40%).

The effect of special tax rates and reliefs applying to oil and gas activities of US$(16.9)m (2019: US$64.4m) comprises US$(8.5)m (2019: US$68.2m) in respect of differences between the average UK statutory rate and the special rates applying to oil and gas activities in the UK and US$(8.4)m (2019:US$(3.8)m) in respect of the UK ring fence expenditure supplement ("RFES") claimed in the year.

The effect of temporary differences not recognised of US$37.3m (2019: US$(100.2)m) includes:

- a US$17.1m (2019: US$(125.9)m) movement in the year predominantly in respect of the unrecognised deferred tax asset on UK decommissioning liabilities;
- US$2.1m (2019: US$8.9m) unsuccessful exploration costs on which future tax relief is available but the expenditure has been expensed through the Income Statement;
- US$5.5m (2019:US$nil) in respect of UK temporary differences on which a deferred tax asset was recognised;
- US$nil (2019: US$6.7m) in respect of the carry forward of UK tax losses on which no deferred tax asset was recognised; and
- US$12.6m (2019: US$10.1m) on overseas tax losses and other temporary differences arising in the period on which no deferred tax was recognised;

Section 5 – Taxation (continued)

5.2 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	(60.5)	(11.1)	71.6	-
At 31 December 2019	(303.6)	232.0	71.6	-
Deferred tax credit/(charge) through the Income Statement	53.3	(40.5)	(12.8)	-
At 31 December 2020	**(250.3)**	**191.5**	**58.8**	**-**
Deferred tax liabilities				
At 1 January 2019	(89.8)	21.9	1.4	(66.5)
Foreign exchange	5.7	(1.4)	(0.1)	4.2
Deferred tax credit/(charge) from discontinued operations	84.1	(20.5)	(1.3)	62.3
At 31 December 2019 and 2020	**-**	**-**	**-**	**-**

Recognised Deferred Tax Assets
As at the balance sheet date, no net deferred tax asset or liability has been recognised in the UK (2019: no net UK deferred tax asset or liability recognised) as other temporary differences and tax losses are only recognised to the extent that they offset the UK deferred tax liability arising on business combinations and carried interests attributable to UK ring fence trading activity, as it is not considered probable that future profits will be available to recover the value of the asset.

The applicable UK statutory tax rate applying to North Sea oil and gas activities of 40% is made up of Ring Fence Corporation Tax ("RFCT") of 30% and Supplementary Charge Tax ("SCT") of 10%. At the balance sheet date the Group has US$486.3m RFCT losses which can be offset against RFCT of 30% on future ring fence trading profits and US$409.8m SCT losses which can be offset against SCT of 10% on future ring fence trading profits.

In 2019 the Group had US$601.0m of RFCT and US$516.7m of SCT losses carried forward to offset against future ring fence trading profits.

A deferred tax asset has been recognised in respect of all of the RFCT and SCT losses and activated UK investment allowance and decommissioning liabilities of US$579.2m and US$2.3m respectively, offsetting in full a deferred tax liability on ring fence temporary differences in respect of non-current assets. No deferred tax asset has been recognised on other ring fence temporary differences of US$148.7m (2019: S$105.2m) relating to decommissioning liabilities as it is not considered probable that these amounts will be utilised in future periods.

The deferred tax liability recognised on UK ring fence asset temporary differences in respect of non-current assets of US$245.7m (2019: US$303.6m) includes temporary differences in respect of investment allowances (previously field allowances) of US$(21.7)m (2019: US$20.2m) on the Laverda and Kraken developments which will reduce future ring fence profits subject to SCT.

Unrecognised Deferred Tax Assets
No deferred tax asset has been recognised on the following as it is not considered probable that it will be utilised in future periods:

	At 31 December 2020 US$m	At 31 December 2019 US$m
UK fixed asset temporary differences	**24.3**	408.4
UK other ring fence temporary differences	**148.7**	105.2
UK non-ring fence trading losses	**3.7**	3.7
UK non-ring fence pre-trade losses	**-**	3.0
UK excess management expenses	**331.7**	329.2
UK non-trade deficits	**79.6**	61.6
UK temporary differences on share-based payments	**38.5**	11.8
Mexico tax losses and temporary differences	**127.0**	55.6
Brazil tax losses	**0.6**	0.3
Nicaragua fixed asset temporary differences	**-**	30.4
Senegal fixed asset temporary differences	**-**	5.9

Section 6 – Discontinued Operations

6.1 Loss from Discontinued Operations

Sale of Capricorn Norge AS ('Norway')
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 Norwegian subsidiary was presented as discontinued operations in the Financial Statements for the year ended 31 December 2019.

Sale of Working Interests in Senegal
Cairn disposed of its entire 40% working interest in its Senegal exploration and development assets in December 2020.

The financial performance of the discontinued operations is expanded in the tables below.

	Norway[1] US$m	**Senegal[2] US$m**	**Year ended 31 December 2020 US$m**	Norway US$m	Senegal US$m	Year ended 31 December 2019 US$m
Gross Profit	**-**	**-**	**-**	-	-	-
Pre-award costs	**(1.5)**	**-**	**(1.5)**	(4.0)	-	(4.0)
Unsuccessful exploration costs	**-**	**-**	**-**	(38.7)	-	(38.7)
Administrative expenses	**(0.3)**	**-**	**(0.3)**	(1.5)	-	(1.5)
Gain on disposal of property, plant & equipment - development assets (note 6.4)	**-**	**-**	**-**	0.7	-	0.7
Impairment of disposal group	**-**	**-**	**-**	(65.7)	-	(65.7)
Operating loss	**(1.8)**	**-**	**(1.8)**	(109.2)	-	(109.2)
Finance income	**-**	**-**	**-**	0.4	-	0.4
Finance costs	**(0.3)**	**-**	**(0.3)**	(6.8)	-	(6.8)
Loss before tax from discontinued operations	**(2.1)**	**-**	**(2.1)**	(115.6)	-	(115.6)
Taxation						
Current tax credit	**2.4**	**-**	**2.4**	27.7	-	27.7
Deferred tax credit	**0.2**	**-**	**0.2**	26.9	-	26.9
Deferred tax credit on disposal of development assets (note 6.4)	**-**	**-**	**-**	35.4	-	35.4
Profit/(loss) from discontinued operations prior to disposal	**0.5**	**-**	**0.5**	(25.6)	-	(25.6)
Loss on disposal of discontinued operations before tax	**(39.5)**	**(237.3)**	**(276.8)**	-	-	-
Tax charge on disposal of discontinued operations	**-**	**-**	**-**	-	-	-
Loss from discontinued operations	**(39.0)**	**(237.3)**	**(276.3)**	(25.6)	-	(25.6)

[1] Period ended 28 February 2020
[2] Period ended 22 December 2020

Section 6 – Discontinued Operations (continued)

6.1 Loss from Discontinued Operations (continued)

The loss on disposal of Senegal oil and gas assets is calculated as follows:

	US$m
Gross cash proceeds	**524.8**
Costs of disposal	**(7.7)**
Net proceeds	**517.1**
Derecognition of assets and liabilities:	
Intangible exploration/appraisal assets	**(145.7)**
Property, plant and equipment – development/producing assets	**(602.0)**
Joint operation receivables	**(24.1)**
Joint operation payables	**17.4**
Loss on disposal of Senegal oil and gas assets	**(237.3)**

Deferred consideration of up to US$100.0m is receivable dependent upon the first oil date and the oil price at that time. In accordance with IFRS15, no amount is recognised at the balance sheet date as there is no reasonable certainty that it would not reverse in future periods. At 31 December 2020, the risk-weighted fair value of the deferred consideration was US$27.2m.

The costs of disposal of US$7.7m include amounts accrued at the balance sheet date of US$6.0m.

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 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)
Trade and other receivables	(7.6)
Income tax asset	(28.1)
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.

Section 6 – Discontinued Operations (continued)

6.2 Cash Flow Information for Discontinued Operations

	Norway[1] US$m	**Senegal[2] US$m**	**Year ended 31 December 2020 US$m**	Norway US$m	Senegal[3] (restated) US$m	Year ended 31 December 2019[3] (restated) US$m
Net cash flows from/(used in) operating activities	**1.5**	**(0.2)**	**1.3**	(3.6)	-	(3.6)
Net cash flows (used in)/from investing activities	**(6.4)**	**284.5**	**278.1**	19.2	(48.2)	(29.0)
Net cash flows used in financing activities	**(0.4)**	**(5.4)**	**(5.8)**	(4.3)	(21.4)	(25.7)
Net (decrease)/increase in cash and cash equivalents	**(5.3)**	**278.9**	**273.6**	11.3	(69.6)	(58.3)

[1] Period ended 28 February 2020
[2] Period ended 22 December 2020
[3] 2019 comparatives have been restated to include Senegal cash flows (note 1.3)

In 2020 US$2.2m cash and cash equivalents was disposed of on the sale of Capricorn Norge AS. There was no cash and cash equivalents disposed of on the sale of Senegal assets.

During 2019, a cash tax refund of US$30.9m was received on prior year qualifying expenditure on exploration activities, new venture costs and administrative expenses. US$2.3m of the refund is allocated against operating activities in the Cash Flow Statement where it relates to pre-award and administrative costs and the remaining US$28.6m included as a refund in investing activities where it relates to costs initially capitalised within intangible exploration/appraisal assets.

6.3 Assets and Liabilities Held-For-Sale

At 31 December 2020 there were no assets or liabilities held-for-sale. At 31 December 2019 the assets and liabilities of Capricorn Norge AS were reclassified as held-for-sale, forming a single disposal group.

	Transferred to held-for-sale US$m	Impairment of disposal group US$m	At 31 December 2019 US$m
Assets Held-For-Sale:			
Goodwill	46.0	(46.0)	-
Intangible exploration/appraisal assets	30.1	(4.9)	25.2
Property, plant & equipment - development assets	89.0	(14.4)	74.6
Other property, plant & equipment and intangible assets	2.2	(0.4)	1.8
Cash and cash equivalents	7.2	-	7.2
Trade and other receivables	7.3	-	7.3
Income tax asset	27.4	-	27.4
At 31 December 2019	209.2	(65.7)	143.5
Liabilities Held-For-Sale:			
Loans and borrowings	23.9	-	23.9
Lease liability	0.6	-	0.6
Trade and other payables	10.4	-	10.4
Provisions – decommissioning	2.7	-	2.7
At 31 December 2019	37.6	-	37.6

As the net assets of the subsidiary were realised through sale rather than recovered through use, and the gain was not taxable in either the UK or Norway, the remaining deferred tax provision in Capricorn Norge AS was released before reclassifying liabilities as held-for-sale.

On the date of transfer of the assets and liabilities into the disposal group, an impairment test was performed comparing the carrying value of the disposal group against its realisable value, based on fair value less cost of disposal. As the carrying value exceeded the fair value less costs of disposal, forecast to be US$105.9m at that time, an impairment was recorded. In accordance with applicable IFRS, this impairment was allocated firstly against goodwill until fully eliminated, then on a pro-rata basis across remaining non-current assets to bring the carrying value of the disposal group equal to its fair value less costs of disposal.

Section 6 – Discontinued Operations (continued)

6.3 Assets and Liabilities Held-For-Sale (continued)

The cumulative foreign exchange loss recognised in other comprehensive income in relation to Capricorn Norge AS at 31 December 2019 was US$37.7m. The cumulative foreign exchange loss at the date of completion of the sale in 2020 of US$44.6m was recycled to the Income Statement.

6.4 Gain on Disposal of Property, Plant & Equipment - Development Assets

In November 2019, Cairn completed the disposal of a 10% working interest share in the Nova development asset to ONE-Dyas Norge AS.

Consideration for the sale was US$59.5m plus working capital adjustments and notional interest from the economic effective date of 1 January 2019 to the date of completion, totalling US$80.2m. The post-tax gain on sale was US$36.1m, calculated as follows:

	US$m
Proceeds on disposal	80.2
Cost of disposal	(3.1)
Net proceeds	77.1
Development assets – disposals	(82.1)
Working capital balances at date of completion	3.9
Decommissioning provision released	1.8
Gain on disposal of property, plant & equipment - development assets	0.7
Tax credit on disposal	35.4
Post-tax gain on disposal	36.1

Section 7 – Events After the Balance Sheet Date

7.1 Return of Cash to Shareholders

On 8 January 2021 Cairn received shareholder approval for the return of cash to shareholders of 32 pence per eligible ordinary share totalling £188m. US$250m of the proceeds from the sale of Senegal assets were converted to £ and the return was paid to shareholders on 25 January 2021. In conjunction with the cash return, shareholders also approved an 11 for 13 share consolidation to seek to maintain share price comparability. The share consolidation completed on 11 January where the existing ordinary shares of 589,816,826 ordinary shares of 231/169 pence each were replaced with 499,075,775 ordinary shares of 21/13 pence each.

The weighted average number of shares used in both basic and diluted earnings per share calculations, disclosed on the Income Statement and in note 4.2, was retrospectively adjusted for the current and prior year. The extent of the adjustment has been limited to the change in the number of ordinary shares outstanding without a corresponding change in the resources of the business.

7.2 Proposed acquisition of exploration, development and production interests in the Western Desert, the Arab Republic of Egypt

On 8 March 2021, Cairn, together with Cheiron Energy (its consortium partner) entered into a sales and purchase agreement for the proposed acquisition of a portfolio of upstream oil and gas exploration, development and production interests from Shell in the Western Desert, onshore The Arab Republic of Egypt for a purchase price of approximately US$323m net to Cairn, with additional contingent consideration of up to US$140m net to Cairn if certain requirements are met.

Cairn will acquire 50% of the portfolio of interests being sold by Shell, comprising of 13 concessions (including 5 exploration concessions), with 21 development leases. The producing fields are split over four distinct areas, each with different characteristics and geographies: the Obaiyed Area; Badr El Din ("BED"); North East Abu Gharadig ("NEAG"); and Alam El Shawish West ("AESW").

Bapetco, a joint venture company currently owned 50:50 by the Sellers and the Egyptian General Petroleum Corporation ("EGPC"), is the operator of all of the producing concessions within the portfolio. Upon completion of the transaction, the interests to be acquired by Cairn will be as follows:

Area	Concession & Exploration Blocks	Cairn working interest in Concession	Partners in Concession	Operating Company	Cairn working interest in Operating Company
Obaiyed Area	Obaiyed	50%	Cheiron (50%)	Obaiyed Petroleum Company	25%
	North Matruh	50%	Cheiron (50%)	Obaiyed Petroleum Company	25%
	North Um Baraka	50%	Cheiron (50%)	North Um Baraka Petroleum Company	25%
Badr El Din (BED)	Sitra	50%	Cheiron (50%)	Sitra Petroleum Company	25%
	BED	50%	Cheiron (50%)	Bapetco	25%
	BED 2 & 17	50%	Cheiron (50%)	Bapetco	25%
	BED 3	50%	Cheiron (50%)	Bapetco	25%
	North Alam El Shawish ("NAES")	50%	Cheiron (50%)	NAES Petroleum Company	25%
NEAG	NEAG Tiba and NEAG Extension	26%	Cheiron (26%); Apache Egypt (48%)	Tiba Petroleum Company	13%
AESW	AESW	20%	Cheiron (20%); North Petroleum International Company SA (35%); Neptune (25%)	AESW Petroleum Company	10%
Abu Sennan[1]	South Abu Sennan	50%	Cheiron (50%)	-	-
Horus[1]	South East Horus	50%	Cheiron (50%)	-	-
El Fayum[1]	West El Fayum	50%	Cheiron (50%)	-	-

[1]It is intended that Cairn shall be appointed operator of the three newly awarded exploration concessions

The transaction is conditional, inter alia, on the approval of the Minister of Petroleum and Mineral Resources in The Arab Republic of Egypt. In addition, there are pre-emption rights outstanding for EGPC in relation to all Concessions and for Concession Contractors in relation to NEAG and AESW. If any of these pre-emption rights is exercised, the Consortium will not acquire the relevant Concessions as part of the Transaction. The proposed acquisition is a Class 1 transaction and subject to shareholder approval.

Cairn, together with Cheiron Energy, plans to finance the acquisition with a new joint acquisition reserve-based lending facility of up to US$350m (US$175m net to Cairn), joint junior debt facility of US$100m (US$50m net to Cairn) and existing cash on balance sheet.

Section 7 – Events After the Balance Sheet Date (continued)

7.3 Sale of Cairn's interests in the Catcher and Kraken Producing assets

On 8 March 2021, Cairn entered into an agreement that will result in the sale of its interests in the UK Catcher and Kraken producing assets to Waldorf Production Limited for a cash consideration of US$460m plus additional contingent consideration dependent principally on oil prices from 2021 to the end of 2025. The consideration is subject to adjustments for working capital and other customary interim period adjustments from the economic effective date of 1 January 2020. As at 31 December 2020, the interim period and working capital adjustments were approximately US$144m. On completion of the deal, derecognition of deferred tax assets, currently offsetting deferred tax liabilities, is expected to result in a loss after tax, which at the year-end was forecast to be approximately US$140m.

The transaction is conditional upon, inter alia, the release of guarantees by the Group in favour of the OGA and FPSO contractors and OGA confirmation that its power to revoke licences will not be exercised on the change of control of the interests. The disposal is a Class 1 transaction and subject to shareholder approval.

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
JV	joint venture
m	million
mmbbls	million barrels of oil
mmboe	million barrels of oil equivalent
PSC	Production Sharing Contract
RBL	Reserves Based Lending facility
WI	working interest

About Cairn Energy PLC

Cairn Energy PLC is an independent, UK-based energy company, focused on oil and gas exploration, development and production.

Cairn has explored, discovered, developed and produced oil and gas in a variety of locations throughout the world and has extensive experience as operator and partner across the oil and gas lifecycle.

Cairn has been listed on the London Stock Exchange for 30 years. The Company has its headquarters in Edinburgh, Scotland supported by operational offices in London, Senegal and Mexico.

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