



**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN, OR INTO, THE UNITED STATES, CANADA, AUSTRALIA OR JAPAN**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**FOR IMMEDIATE RELEASE**

**9 March 2021**

**CAIRN ENERGY PLC ("Cairn")**

**Sale of Cairn's interests in the Catcher and Kraken Fields**

Cairn is pleased to announce that it has entered into an agreement that will result in the sale of its interests in the UK Catcher and Kraken fields to Waldorf Production Limited ("Waldorf") for a cash consideration of US\$460 million 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.

**Transaction Highlights**

- Cairn to sell its entire 20 per cent interest in the Catcher field and 29.5 per cent interest in the Kraken field
- Firm consideration of US\$460 million (to be adjusted for working capital and interim period adjustments from effective date of 1 January 2020)
- Additional uncapped contingent consideration dependent on oil prices and production performance from 2021 to the end of 2025: generating ~US\$75 million at US\$60 Brent and ~US\$125 million at US\$65 Brent (based on Cairn expected production profiles)
- Further strengthens Cairn's balance sheet and provides flexibility to sustain and prolong the producing asset base
- Completion currently expected in H2 2021

**Simon Thomson, Chief Executive of Cairn said:**

*"The divestment of our UK producing assets as they move into decline phase, will further strengthen our ability to pursue Cairn's strategic goals and position the company robustly for the decade ahead."*

**Circular**

The disposal is a Class 1 transaction and subject to shareholder approval. Cairn will publish a circular to shareholders in due course setting out further details of the Transaction and convening the General Meeting, at which shareholder approval will be sought for the Transaction.

Rothschild & Co is acting as financial advisor and sponsor to Cairn in connection with the Transaction.

This summary should be read in conjunction with the full text of this announcement. Capitalised terms used in this announcement have the meanings given to them in the Appendix.

**Enquiries:**Analysts/Investors

David Nisbet, Corporate Affairs

**Tel: 0131 475 3000**

Media

Jonathan Milne, Linda Bain, Corporate Affairs

**Tel: 0131 475 3000**

Patrick Handley, David Litterick, Brunswick Group LLP

**Tel: 0207 404 5959**

**Webcast**

There will be a live audio webcast available to view on the website ([www.cairnenergy.com](http://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 presentation slides will be available on the website from 7:00am GMT.

**Conference call**

You can listen to the 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 presentation will be available on the website as soon as possible after the event.

**NOTES TO EDITORS**

The information contained within this announcement is deemed by Cairn to constitute inside information as stipulated under UK MAR. By the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of Cairn is Mr. James Smith, Chief Financial Officer.

For further information on Cairn please go to: [www.cairnenergy.com](http://www.cairnenergy.com)

**Disclaimers**

This announcement has been issued by and is the sole responsibility of Cairn. The information contained in this announcement is for information purposes only and does not purport to be complete. The information in this announcement is subject to change.

This announcement has been prepared in accordance with English law, UK MAR and the Disclosure Guidance and Transparency Rules and Listing Rules of the FCA and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

N. M. Rothschild & Sons Limited ("Rothschild & Co"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for Cairn and for no-one else in connection with the contents of this announcement and the Transaction and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Cairn for providing the protections afforded to clients of Rothschild & Co nor for providing advice in connection with the contents of this announcement or the Transaction or any transaction, arrangement or other matter referred to in this announcement.

The contents of this announcement are not to be construed as legal, business or tax advice. Each Shareholder should consult its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice respectively.

### **Cautionary Note Regarding Forward-looking Statements**

This announcement includes certain forward-looking statements with respect to the financial condition, results of operations and business of the Group and certain plans and objectives of the Board. These forward-looking statements can be identified by the fact that they do not relate to any historical or current facts. Forward-looking statements often use words such as "proposed", "anticipate", "expect", "estimate", "intend", "plan", "believe", "will", "may", "should", "would", "could" or other words with a similar meaning. These statements are based on assumptions and assessments made by the Board in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes appropriate. By their nature, forward-looking statements involve risk and uncertainty and there are a number of factors that could cause actual results and developments to differ materially from those expressed in, or implied by, such forward-looking statements.

These forward-looking statements speak only as at the date of this announcement. Save as required by the requirements of the Listing Rules or the Disclosure Guidance and Transparency Rules of the FCA or otherwise arising as a matter of law or regulation, Cairn expressly disclaims any obligation or undertaking to disseminate after publication of this announcement any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Neither the content of Cairn's website (or any other website) nor the content of any website accessible from hyperlinks on Cairn's website (or any other website) is incorporated into or forms part of this announcement.

Unless otherwise indicated, all references in this announcement to all references to "US dollars", "US\$" and "US cents" are to the lawful currency of the United States.

### **About Cairn Energy PLC**

Cairn is one of Europe's leading independent energy companies and has been listed on the London Stock Exchange for 30 years. Cairn has explored, discovered, developed and produced oil and gas in a variety of locations throughout the world as an operator and partner in all stages of the oil and gas lifecycle.

Cairn's exploration activities have a geographical focus in the North Sea, West Africa and Latin America, underpinned by interests in production and development assets. Cairn has its headquarters in Edinburgh, Scotland supported by operational offices in London and Mexico.

For further information on Cairn please see: [www.cairnenergy.com](http://www.cairnenergy.com)

## **DETAILS OF THE TRANSACTION**

### **1. Introduction**

On 8 March 2021, Nautical Petroleum Limited (“Nautical Petroleum”), a wholly owned subsidiary of Cairn, entered into a Put and Call Option Agreement, under which Nautical Petroleum and Waldorf each granted options to the other. Those options entitle either of them to require the other to enter into a Sale and Purchase Agreement in respect of the Transaction and are exercisable (subject to the satisfaction or, where applicable, waiver of certain conditions) following completion of the Hive Down. The agreement will result in Nautical Petroleum selling to Waldorf its 20% interest in the Catcher field and its 29.5% interest in the Kraken field.

The firm consideration payable to the Group is US\$460 million to be adjusted for working capital and interim period cashflows from the economic date of 1 January 2020. As at 31 December 2020, the interim period and working capital adjustments were approximately US\$144 million.

In addition, the Group will be entitled to receive uncapped contingent earn out consideration depending on the average Brent oil price from 2021 to the end of 2025 and production performance from Catcher and Kraken during that period.

The Hive Down is conditional upon, inter alia, the approval of the Oil and Gas Authority (“OGA”), consents of the relevant joint venture partners and operational consents from the FPSO contractors (BWO Offshore and Bumi Armada) and the gas pipeline owners (Shell and Esso).

The Transaction is conditional upon, inter alia, the release of guarantees by members of 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 Target.

The Transaction is of sufficient size relative to that of the Group to constitute a Class 1 transaction under the UK Listing Rules of the FCA and is therefore also conditional upon the approval of Shareholders. Cairn will publish a circular to Shareholders in due course setting out further details of the Transaction and convening the General Meeting, at which Shareholder approval will be sought for the Transaction.

### **2. Background to and Reasons for the Transaction**

In 2012, Cairn acquired non-operated interests in Catcher and Kraken, two of the largest developments in the UK North Sea, via the acquisition of Nautical Petroleum

The Catcher, Varadero and Burgman fields (the "Catcher Complex") achieved first oil in December 2017, whilst Kraken achieved first oil in June 2017. Since this time both fields have generated significant cashflow which has helped fund exploration and appraisal activities elsewhere in Cairn's portfolio. However, both fields are now entering into a natural decline phase, and therefore a sale at this point is consistent with Cairn's long-term capital allocation strategy to actively manage its portfolio. The proceeds received will further strengthen the Group's ability to pursue Cairn's strategic goals at an opportune point in the cycle.

### ***About Waldorf Production***

Waldorf Production is an independent E&P company focused on production and development opportunities in the UK North Sea. In 2019, Waldorf acquired the assets of Endeavour Energy UK (EEUK), the main assets of which are the producing Alba and Bacchus fields and the Columbus field development.

Waldorf's strategy is to acquire additional producing, long life assets with strong cash flow and participate in lower risk developments close to production. Waldorf aims to further grow its UK North Sea portfolio with high quality assets offering operational and financial synergies. Waldorf is managed and owned by an experienced E&P team led by Jon Skabo and Erik Brodahl, who founded the company with support from a consortium of high net worth investors.

### **3. Summary of the key terms of the Transaction**

The consideration payable by Waldorf in respect of the Transaction is as follows:

- Firm consideration of US\$460 million to be adjusted for working capital and interim period cashflows from the economic date of 1 January 2020. As at 31 December 2020, the interim period and working capital adjustments were approximately US\$144 million.
- Payment of US\$45 million of the firm consideration will be deferred, of which US\$10 million will be payable on agreement or determination of the final working capital and interim period adjustments following Completion and the balance of US\$35 million will be payable (together with interest thereon at 3 per cent per annum above the base rate of the Bank of England) out of Waldorf's free cash flow following repayment of its senior debt facilities, but in any case not later than 48 months after Completion.
- Uncapped earn out consideration will be payable in respect of each of the calendar years 2021 to 2025 if both (i) an agreed minimum production volume for that year is met and (ii) the Average Daily Brent Crude Price in that year is not less than US\$52.00 per barrel.

The earn out consideration will be equal to the amount by which Average Daily Brent Crude Price for that year exceeds US\$52/bbl multiplied by the number of barrels of production in that year in relation to the Sale Interests multiplied by a percentage rate set for each year.

The percentage rates agreed for each year are:

- in respect of 2021, 60%;
- in respect of 2022, 50%;
- in respect of 2023, 40%;
- in respect of 2024, 30%; and
- in respect of 2025, 20%.

Payment of the earn out consideration in each year is conditional on minimum production volumes being delivered in the year in question. The agreed minimum production volumes in respect of each year are:

Year	Production volumes
2021	5,648,400 barrels of oil
2022	3,947,220 barrels of oil
2023	3,002,490 barrels of oil
2024	1,748,890 barrels of oil
2025	1,331,640 barrels of oil

As mentioned above, the Transaction will be implemented by way of the sale of the share capital of the Target, to which Nautical Petroleum will transfer the Sale Interests prior to Completion (the "Hive Down"). Nautical Petroleum and Waldorf have each granted reciprocal options to the other under the Put and Call Option Agreement (the "Put/Call Options"), under which (subject to the satisfaction or, where applicable, waiver of certain conditions) either of them may require the other to enter into the Sale and Purchase Agreement.

The Transaction is conditional upon the satisfaction or, where applicable, waiver of the following conditions, amongst others:

- completion of the Hive Down;
- following completion of the Hive Down, exercise of a Put/Call Option and entry into the Sale and Purchase Agreement;
- no Material Adverse Change having occurred between the date of the Put and Call Option Agreement and Completion;
- the release of certain members of the Cairn Group from certain guarantees in respect of the Sale Interests;

- the release of certain Sale Interests from any security interests;
- all necessary third-party consents, approvals and waivers required for the Transaction having been obtained;
- the Oil and Gas Authority having confirmed that it does not intend to exercise its power to revoke or recommend the revocation of, any petroleum licences included in the Sale Interests, or recommend a further change of control in respect of, any such petroleum licence; and
- the Shareholders passing a resolution to approve the Transaction at the General Meeting.

During the period between the date of the Put and Call Option Agreement and Completion, Nautical Petroleum has agreed to interim period undertakings in relation to the Sale Interests that are customary for disposals similar to the Transaction.

Nautical Petroleum has also given (and will, on entry into the Sale and Purchase Agreement, give) customary warranties to Waldorf in connection with the Transaction, certain of which will be repeated on the date of Completion. Nautical Petroleum's liability in relation to those warranties is subject to customary limitations and exclusions.

#### **4. Information on the Catcher and Kraken fields**

##### ***Catcher overview and history of development***

The Catcher Complex is situated to the west of the Central Graben of the UK North Sea, around 170 km southeast of Aberdeen in water depths less than 100m.

Cairn, through its wholly owned subsidiary Nautical Petroleum Ltd, has a 20 per cent interest in the Greater Catcher Development Licences, with Premier Oil (50 per cent) as Operator. The other partners within the licence are MOL Group with 20 per cent and ONE Dyas with 10 per cent.

The majority of the Catcher Complex was discovered in 2010. Since then, a total of 19 development wells have been drilled in the Catcher Complex. The first 12 wells were drilled as part of Phase 1, which began in 2015, and a further six wells were drilled in Phase 2. An additional infill well was drilled in the Varadero accumulation in 2020. Of the 19 development wells, 15 were producers and four were water injector wells.

There are further wells to be drilled in the near future: at the Catcher North and Laverda locations (which were deferred from the programme in 2020), and possibly the Burgman Far East location.

The Catcher Complex is developed via an FPSO, with subsea tie-back. First oil from the field occurred in December 2017. Average 2020 gross production from the Catcher Area (Cairn 20% WI) was 50,200 boepd, with production levels impacted in 2020 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.

### ***Kraken overview and history of development***

The Kraken Area fields (Kraken and Kraken North) are situated in Block 9/02b Licence P1077 in the East Shetland Basin of the UK North Sea. The fields are located approximately 350km North East of Aberdeen in c.100m water depth.

The field is operated by EnQuest which holds a 70.5 per cent working interest in the P1077 Licence. Cairn holds a 29.5 per cent working interest.

The Kraken field was discovered in 1985 by a well drilled by Occidental Petroleum. This well was plugged and abandoned. The discovery lay fallow until 2003, when Nautical Petroleum undertook 3D seismic over the field area. Further appraisal wells were drilled in 2007 and 2008, followed by a seismic analysis in 2009, a further well in 2010 and additional seismic analysis in 2011.

The development of the Kraken Area Fields received DECC approval in November 2013 with a planned production start-up in 2016. Two heavy oil field tax allowances were granted. In August 2015, EnQuest commenced the drilling and completion of the development wells. To date, 24 development wells have been successfully drilled and completed in the southern and northern parts of the Kraken field.

The Kraken field's FPSO was installed in April 2017 with production commencing in June 2017. Stable production was achieved in November 2017. Average 2020 gross production from Kraken (Cairn 29.5% WI) was 37,600 boepd. 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.

### ***Estimated Reserves***

#### **Catcher Complex and Kraken**

Cairn's working interest reserves as at YE 2019 and YE 2020 for the Catcher Complex and Kraken are outlined below:

Field	Net 2P reserves YE 2019	Net 2P reserves YE 2020
Catcher Complex (mmboe)	13.31	10.13
Kraken (mmboe)	29.79	22.76
<b>Total (mmboe)</b>	<b>43.10</b>	<b>32.90</b>

### ***Interests and operatorship***

#### **Catcher**

Assuming the Transaction completes the impact on the holdings of interests in the Catcher licence will be as set out in the table below:

<b>Party</b>	<b>Interest pre-Transaction (%)</b>	<b>Interest post-Transaction (%)</b>
Premier Oil	50.0 and operator	50.0 and operator
MOL Group	20.0	20.0
Cairn	20.0	Nil
Waldorf	Nil	20.0
ONE Dyas	10.0	10.0

#### **Kraken**

Assuming the Transaction completes the impact on the holdings of interests in the Kraken licence will be as set out in the table below:

<b>Party</b>	<b>Interest pre-Transaction (%)</b>	<b>Interest post-Transaction (%)</b>
EnQuest	70.5 and operator	70.5 and operator
Cairn	29.5	Nil
Waldorf	Nil	29.5

### **5. Financial effects of the Transaction and use of proceeds**

The consideration payable to the Group by Waldorf in respect of the Transaction is summarised at paragraphs 1 and 3 above.

Cairn's current intention is to use the initial cash proceeds of the Transaction to augment working capital. The Transaction is not expected to result in any material cash tax liability for the Group. The gross assets attributable to the Sale Interests as at 31 December 2020 were \$562.2 million. The profit before tax attributable to the Sale Interests for the year ended 31 December 2020 was \$58.2 million.

### **6. General Meeting**

Completion of the Transaction is conditional upon Shareholders' approval being obtained at the General Meeting. A circular setting out further details of the Transaction, together with the notice to convene the General Meeting and the form of proxy for use at the General Meeting, will be published in due course.

The resolution to approve the Transaction will be proposed as an ordinary resolution that will be passed if a simple majority of the votes cast are in favour of the resolution.

As a result of the ongoing coronavirus (COVID-19) global pandemic and the legislative measures and guidance introduced by the Scottish Government to restrict public gatherings and all but essential travel, it is anticipated that the General Meeting will take place as a closed meeting. This approach reflects the arrangements adopted for Cairn's recent annual general meeting and is intended to ensure the safety of our Shareholders, our employees, our advisers and the general public. Further information will be contained in the circular to be sent to Shareholders in connection with the Transaction, including notice of the General Meeting. The Company will continue to monitor the relevant legislative measures and guidance and, if circumstances change resulting in the lifting of measures preventing the movement of people before the General Meeting, it will consider if it is appropriate to open up the General Meeting for attendance by Shareholders.

## Appendix – Definitions

The following definitions apply throughout this announcement unless the context otherwise requires:

<b>Average Daily Brent Crude Price</b>	arithmetic mean of the Dated Brent FOB high and low assessments as published in Platts Daily Crude Oil Marketwire in the publications data for each publication day for the relevant year (and any published correction to any relevant assessment shall be taken into account), provided that if Platts Daily Crude Oil Marketwire shall cease to be available, the Waldorf and Nautical Petroleum will use reasonable endeavours to agree an appropriate alternative publication, such agreement not to be unreasonably withheld or delayed
<b>Board</b>	the board of directors of Cairn
<b>Cairn</b>	Cairn Energy PLC
<b>Completion</b>	Completion of the Transaction in accordance with the Sale and Purchase Agreement
<b>FCA</b>	Financial Conduct Authority
<b>General Meeting</b>	the general meeting of Cairn to be convened to approve the Transaction
<b>Greater Catcher Development Licences</b>	<p>the following licences:</p> <ul style="list-style-type: none"> <li>(a) Licence P.2453 Block 28/9c (Bonneville);</li> <li>(b) Licence P. 2550 Block 28/9f (Cougar and Rapide); and</li> <li>(c) Licence P.1430 Block 28/9a, Licence P.2070 Block 28/4a and Licence P.2454 Block 28/9d (Greater Catcher)</li> </ul>
<b>Group</b>	Cairn, its subsidiary undertakings and any other body corporate, legal entity, partnership or unincorporated joint venture in which Cairn or any of its subsidiary undertakings holds a participating interest (as such term is defined by section 1162 of the Companies Act 2006) from time to time and references to a " <b>member of the Group</b> " shall be construed accordingly

<b>JOA</b>	joint operating agreement
<b>Kraken Licence</b>	Licence P.1077 Block 9/2b
<b>Material Adverse Change</b>	<p>(a) the actual total loss or the constructive total loss of either the Kraken FPSO or the Catcher FPSO as determined by the vessel's hull and machinery insurers; or</p> <p>(b) following entry in the Sale and Purchase Agreement, a material breach of the title warranties (being the warranties to be given by Nautical Petroleum to Waldorf in the Sale and Purchase Agreement in respect of, among other things, its title to the shares in Target and Target's title to the Sale Interests)</p>
<b>Nautical Petroleum</b>	Nautical Petroleum Limited, incorporated in England and Wales with company number 04362104 and a member of the Group
<b>Put and Call Option Agreement</b>	the put and call option agreement dated 8 March 2021 between Nautical Petroleum and Waldorf
<b>Sale and Purchase Agreement</b>	the agreement to be entered into between Nautical Petroleum and Waldorf for the sale and purchase of the entire issued share capital of the Target by Nautical Petroleum to Waldorf
<b>Sale Interests</b>	<p>(a) an undivided interest in the Greater Catcher Development Licences together with a 20% legal and beneficial interest in the JOAs in respect of the Greater Catcher Development Licences; and</p> <p>(b) an undivided interest in the Kraken Licence together with a 29.5% legal and beneficial interest in the JOA in respect of the Kraken Licence</p>
<b>Shareholders</b>	the holders of the ordinary shares of 21/13 pence each in the capital of Cairn
<b>Target</b>	Capricorn North Sea Limited, a company incorporated in England and Wales with company number 13233288 and a member of the Group and a wholly owned subsidiary of Nautical Petroleum

<b>Transaction</b>	the proposed sale and disposal of the entire issued share capital of Target by Nautical Petroleum to Waldorf pursuant to the Sale and Purchase Agreement
<b>UK MAR</b>	The retained UK version of the Market Abuse Regulation (596/2014)
<b>Waldorf</b>	Waldorf Production Limited, a company incorporated in England and Wales with company number 12149322