



# Preliminary Results Presentation

Responsible. Ready. Refocused.

9<sup>th</sup> March 2021

# Disclaimer

These materials contain forward-looking statements regarding Cairn, our corporate plans, future financial condition, future results of operations, future business plans and strategies. All such forward-looking statements are based on our management's assumptions and beliefs in the light of information available to them at this time.

These forward-looking statements are, by their nature, subject to significant risks and uncertainties and actual results, performance and achievements may be materially different from those expressed in such statements. Factors that may cause actual results, performance or achievements to differ from expectations include, but are not limited to, regulatory changes, future levels of industry product supply, demand and pricing, weather and weather related impacts, wars and acts of terrorism, development and use of technology, acts of competitors and other changes to business conditions.

Cairn undertakes no obligation to revise any such forward-looking statements to reflect any changes in Cairn's expectations with regard thereto or any change in circumstances or events after the date hereof.





# Introduction

Simon Thomson





# A Refocused Portfolio



## Proposed acquisition of Shell Western Desert Assets in Egypt

- High quality assets with significant development and exploration growth potential
- Secures long-term, low-cost, sustainable production
- Gas-weighting enhances energy transition relevance
- Investing in a stable and competitive fiscal regime
- Experienced local operator Cheiron
- Acquiring 2P reserves 113 mmboe, WI production 33,000 – 38,000 boepd



## Agreement to divest interests in UK North Sea Kraken and Catcher Fields

- Monetising at the right point in the cycle
- Balance sheet flexibility for corporate purposes and further growth
- Divesting 2P reserves 33 mmboe, production ~17,500 boepd

## In Line with Stated Strategy



### Balance Sheet Strength



### Control



### Liquidity



# Strategic Delivery: Creating Renewed Platform for Differentiated Growth

Capital Allocation & Active Portfolio Management	Financial Flexibility	India	Operational Delivery	Executing Strategy Responsibly
<ul style="list-style-type: none"> <li>Proposed acquisition of Shell Western Desert Assets in Egypt</li> <li>Sale of interests in UK North Sea, Norway and Senegal</li> <li>Proactive reduction of capital commitments without jeopardising growth opportunities</li> <li>Positioned to fund additional growth</li> </ul>	<ul style="list-style-type: none"> <li>US\$250m returned to shareholders consistent with long term strategy</li> <li>Strong cash flow generation</li> <li>Debt capacity and cash at hand</li> </ul>	<ul style="list-style-type: none"> <li>India arbitration tribunal: US\$1.2bn plus interest and costs awarded to Cairn</li> <li>Ongoing dialogue with Government of India on adherence to ruling while protecting shareholder interests</li> </ul>	<ul style="list-style-type: none"> <li>Safe and effective operations throughout pandemic</li> <li>Production in line with guidance</li> <li>Mexico exploration success with ENI</li> </ul>	<ul style="list-style-type: none"> <li>Committed to Net Zero by 2050</li> <li>Energy transition recognised as a principal risk to the business</li> <li>Aim to reduce emissions in our operations where possible and through offsetting</li> </ul>



# Finance

James Smith





# Financial Performance

## Production

- 2020 production: 21,000 bopd\*, in line with guidance
- 2021 UK guidance: 16,000 bopd to 19,000 bopd

## Revenue

- 2020 revenues from production: US\$324m
- 2020 realised oil price: US\$42.56/bbl plus US\$7.27/bbl hedging gains
- 2021 hedges over 2,824 bopd\*\*

## Opex

- 2020 UK production costs: US\$20/boe underlying, less US\$1/boe prior year credits
- 2021 UK production costs: targeting ~US\$23/boe

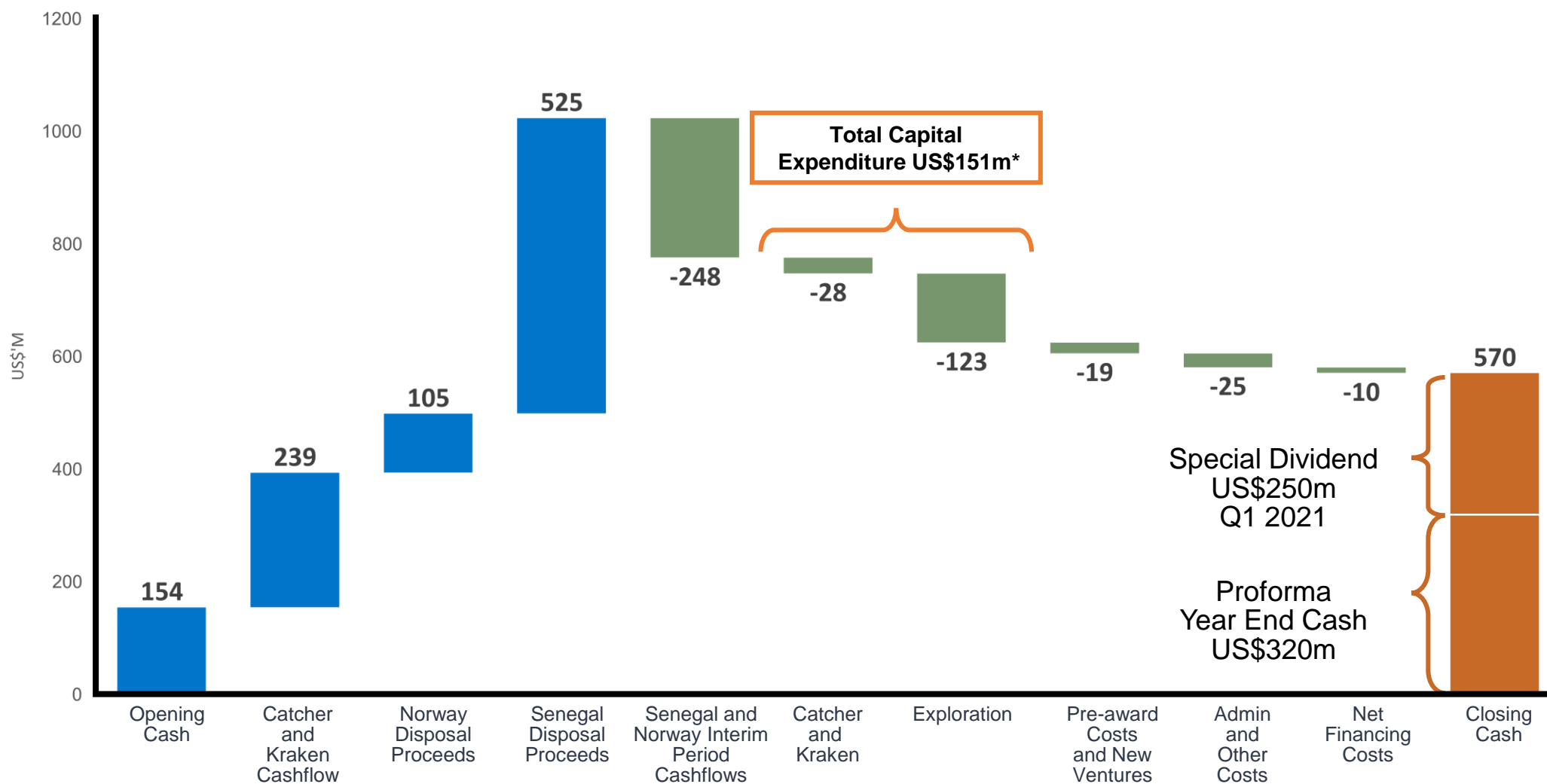
## Cashflow

- 2020 cash inflow from oil and gas production: US\$239m
- 2020 capex: US\$151m (US\$28m UK production assets; US\$123m International Exploration activity)
- 2021 capex (excluding Egypt): US\$100m (US\$10m UK production assets, refunded on sale completion; US\$90m exploration in UK and Mexico)

\* Before Flowstream entitlement to Kraken production: 4.5% up to May 2020, 1.35% in 2021 and 0.675% from 2022

\*\*0.5m barrels using swaps with a weighted average strike price of US\$45.20/bbl, and 0.5m barrels using three-way collar structures with weighted average ceiling, floor and sub-floor prices of US\$55.00/bbl, US\$48.27/bbl and US\$35.00/bbl respectively

# 2020 Cashflows







# Indian Arbitration Award

## Basis of the Award

- Unanimous award in favour of Cairn under UK-India Bilateral Investment Treaty;
  - Unequivocally established jurisdiction over the dispute and found that India's actions had breached its treaty obligations to Cairn
  - Ordered withdrawal of tax demands and payment of compensation for assets seized totalling US\$1.2bn plus interest currently totalling US\$490m
  - The award is binding on the parties under the terms of the Treaty and UNCITRAL arbitration rules, and it is enforceable internationally under the 1958 New York Convention

## Accessing the Value of the Award

### Engagement with India

- Direct discussions on settlement mechanisms with Government of India
- Diplomatic channels
- Support from shareholders, agencies and other stakeholders

### Enforcement

- Award enforceable in >160 jurisdictions under the 1958 New York Convention
- Registration of the award and preparatory identification of assets has begun in multiple countries

### Monetisation

- Potential to transfer the award to third party funds
- Asset could be pledged against recourse or non-recourse financing



# Strategic Priorities and Capital Allocation

All investment decisions assessed against multiple externally assured energy transition scenarios



## Portfolio Management

- Monetise for returns and reinvestment
- Flexible and balanced capital allocation



## Sustainable Cashflow Base

- Diversify and extend production base
- Ensure low full-cycle break even economics



## Selected Exploration

- Core area exploration to sustain production
- Select transformational exploration



## Balance Sheet Flexibility

- Capital structure resilient to price shocks
- Controllable and flexible capital programme



## Shareholder Returns

- Key differentiator
- Competition for capital between reinvestment and returns

## Delivery

- |   |  |  |   |  |
|---|--|--|---|--|
| <ul style="list-style-type: none"> <li>➤ Norway and Senegal sales: Avoiding ~US\$1.7bn in long term capital commitments</li> <li>➤ UK North Sea sale</li> </ul> | <ul style="list-style-type: none"> <li>➤ Acquiring diversified production in Egypt with growth potential</li> <li>➤ Monetising UK assets approaching decline for further redeployment</li> </ul> | <ul style="list-style-type: none"> <li>➤ High graded, value focused portfolio</li> <li>➤ Near field and new concession opportunities in Egypt</li> </ul> | <ul style="list-style-type: none"> <li>➤ Projected net cash position post Egypt and UK transactions</li> <li>➤ Financial capacity for further portfolio growth</li> </ul> | <ul style="list-style-type: none"> <li>➤ US\$250m special dividend following Senegal sale</li> </ul> |
|---|--|--|---|--|



# Divesting UK North Sea Production Interests

## Transaction Overview

- Sale of Cairn's 20% interest in Catcher and 29.5% interest in Kraken to Waldorf Production
- Firm consideration of US\$460m (as at effective date 1 January 2020)<sup>1</sup>
- Additional consideration payable based on a share of revenues generated by Brent prices in excess of US\$52/bbl in the years 2021 to 2025<sup>2</sup>:
  - ~US\$80m additional consideration at US\$60 Brent
  - ~US\$125m additional consideration at US\$65 Brent
  - Uncapped
- US\$35m of firm consideration deferred, with payment not later than 48 months from completion
- Cairn's UK exploration licences to be retained
- Substantial part of the UK tax losses expected to be retained
- Completion subject to government and customary third party consents

<sup>1</sup> Consideration to be adjusted for working capital and interim period cashflows. 2020 interim period cashflows were ~US\$144m

<sup>2</sup> Subject to minimum production levels being achieved. Projections provided based on Cairn production profiles





# Egypt: Strong Production Base with Growth Potential

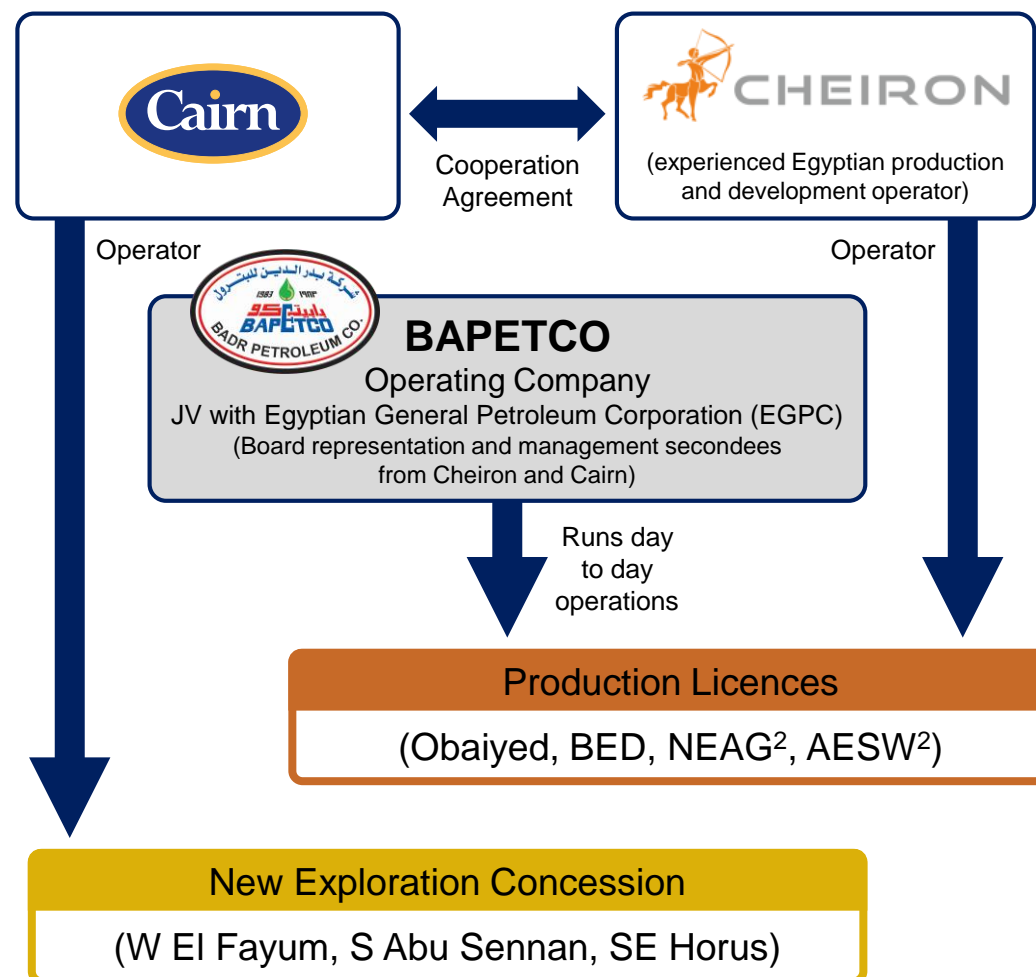
## Transaction Overview

- Joint (50:50) acquisition of Shell's Western Desert assets by Cairn and Cheiron
- US\$323m base consideration<sup>1</sup>
  - Effective date 1.1.2020 subject to customary interim adjustments
- Additional contingent consideration:
  - Brent >US\$55 in 2021-2024 (max US\$100m)
  - Exploration success (max US\$40m)
- Sources of funding:
  - ~US\$175m RBL facility<sup>1</sup>
  - US\$50m junior debt facility linked to offtake<sup>1</sup>
  - Existing cash resources
- Subject to shareholder and government approvals and customary consents

<sup>1</sup> Cairn 50% share of RBL facility up to US\$350m and junior facility of US\$100m

<sup>2</sup> NEAG and AESW have additional JV partners to Cairn and Cheiron

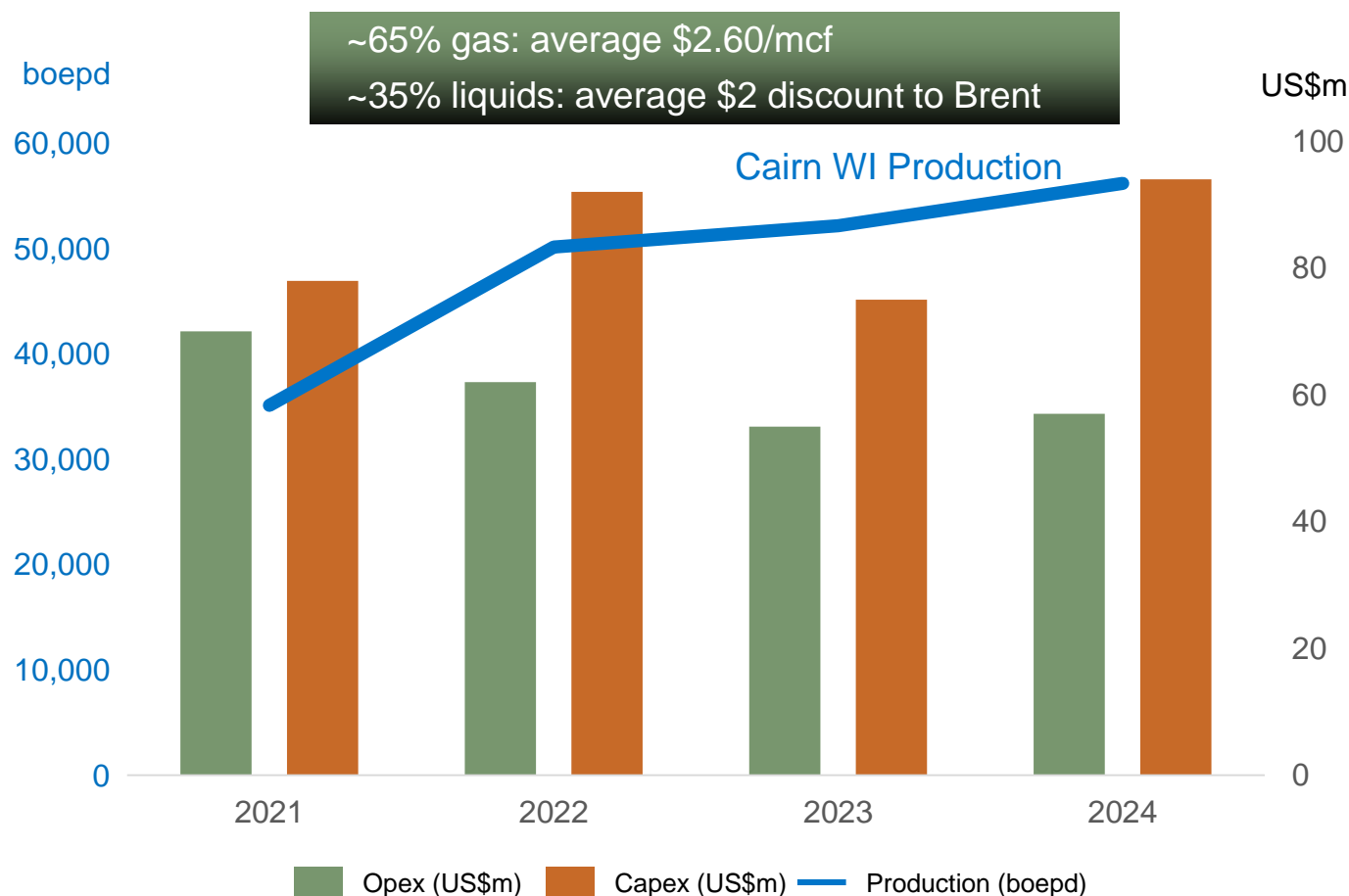
## Asset Structure and Operatorship





# Egypt: Strong Production Base with Growth Potential

## Production growth and opex reduction



### Reserves

Adds Cairn WI 2P reserves of 113 mmboe as at 31 Dec 2020

### Resources

Cairn WI 2C resources: 49 mmboe at 31 Dec 2020

### Growth Opportunities

Cairn operated exploration targeting >800 mmboe\* gross unrisks resources

\* Shell estimate

Forecasts aligned to Competent Person's Report projections to be included in the Class 1 shareholder circular, subject to management adjustments for 2021  
Net entitlement production (after fiscal take) is equivalent to approximately 40% to 45% of WI production



# Production and Development

Paul Mayland







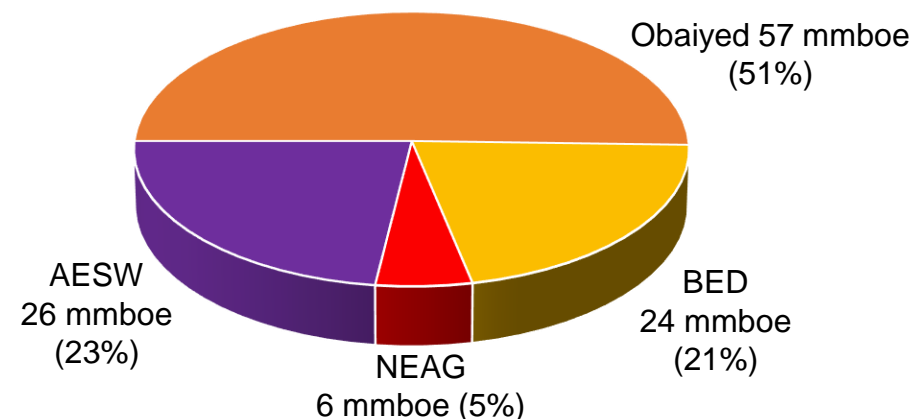
# Low Cost Sustainable Production Base with Growth Potential

### Onshore Low Cost Asset

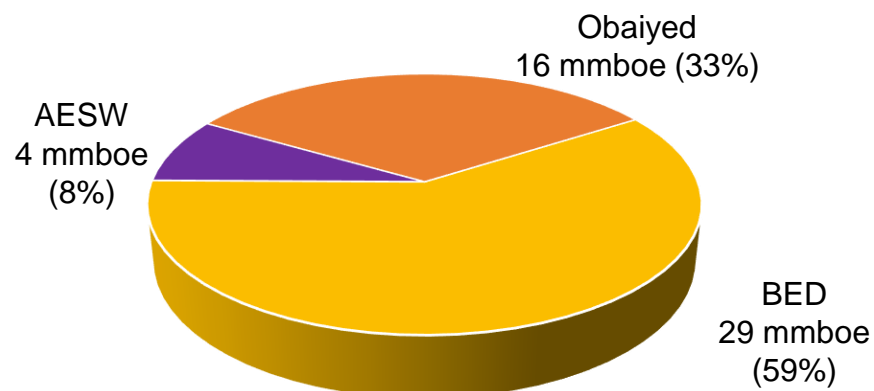
- Good historical HSSE performance
- 4.3 TCF and 220 mmstb produced to date:  
> 300mmboe gross remaining
- Four main production areas
  - Obaiyed, BED, NEAG and AESW
- Anticipate 2021 WI Production 33,000 – 38,000 boepd net to Cairn
- Aim to grow production to ~50,000 boepd WI net to Cairn
- 2P Reserves Life Index (RLI) ~ 8.5 years, 2P+2C ~ 12 years
- Site due diligence completed in Q4 2020

### Adds Material 2P and 2C Resource Base

#### 2P Reserves: 113 mmboe (net to Cairn)



#### 2C Resources: 49 mmboe (net to Cairn)





# Partnering Experienced Egyptian Operator

Production (2020 actuals)

## Badr Petroleum Company (Bapetco)

Operator licences owned 50/50 by EGPC and Cairn / Cheiron

### Obaiyed

~28,800 boepd (key growth assets)

Cheiron 50%

Cairn 50%

### BED

~35,500 boepd

Cheiron 50%

Cairn 50%

### NEAG

~5,800 boepd (Cairn/Cheiron share)

Cheiron  
26%

Cairn  
26%

Apache  
32%

Sinopec  
16%

### AESW

~12,900 boepd (Cairn/Cheiron share)

Cheiron  
20%

Cairn  
20%

Zhenhua  
35%

Neptune  
25%

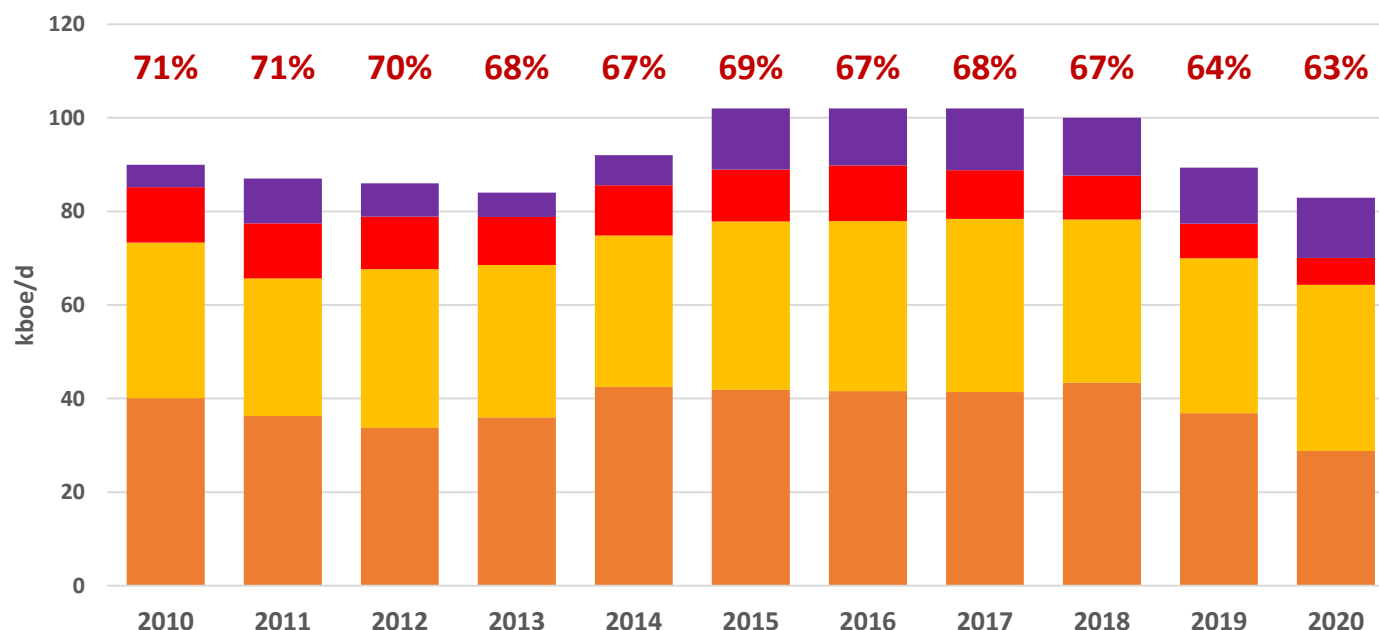


# Robust Mature Producing Assets

- 2020 production averaged 107,000 boepd gross (83,000 boepd Shell interest)
- 2020 Capital investment programme curtailed to ~US\$100m versus typical US\$150-200m (Shell interest)
- Flexible capital programme: interventions; work-overs; new wells and facility enhancements to manage underlying low natural declines (~10-15%)

Shell's WI Production split by Concession

Obaiyed BED NEAG AESW



Further investment to deliver production and reserves growth potential





# Onshore Platform to Build Growth

## Production Facilities

- Two large oil and gas facilities; life extension work and process enhancements undertaken
  - Obaiyed; gas and condensate (capacity 450 mmscf/d and 16,000 bcpd)
  - BED 3; oil and gas (capacity 30,000 bopd and 300 mmscf/d)
- Facilities feed main oil and gas export pipelines to Western Desert Gas Complex and El Hamra oil terminal

## Well Operations

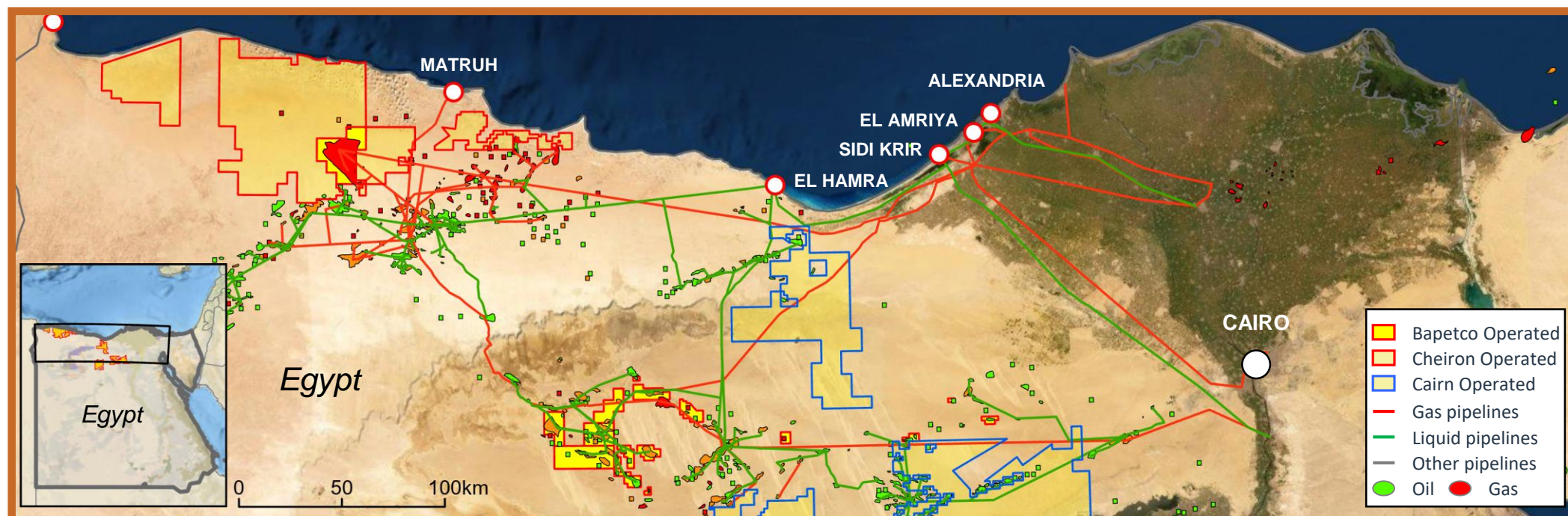
- Well established service company including rigs for new well drilling and work-overs
- 2021 plans
  - Well design optimisation and cost reductions
  - 15-20 new wells
  - Three work-over rig programme to optimise production and injection
- Significant increase in activity once transaction closes and integration complete





# Multiple and Scalable Investment Opportunities

- Leverage high quality gas and oil processing infrastructure;
  - Direct capital reinvestment to the best infill, satellite and process enhancement projects while also maintaining asset integrity
  - Anticipate arresting decline and growing production by 2023
  - Optimise operating costs and increase national content where possible
- Baseline and verify GHG emissions and develop abatement plans. Initial focus likely to be electrification and routine flare reduction
- Establish Cairn office in country to further build relationships with key stakeholders and prepare for Operated exploration





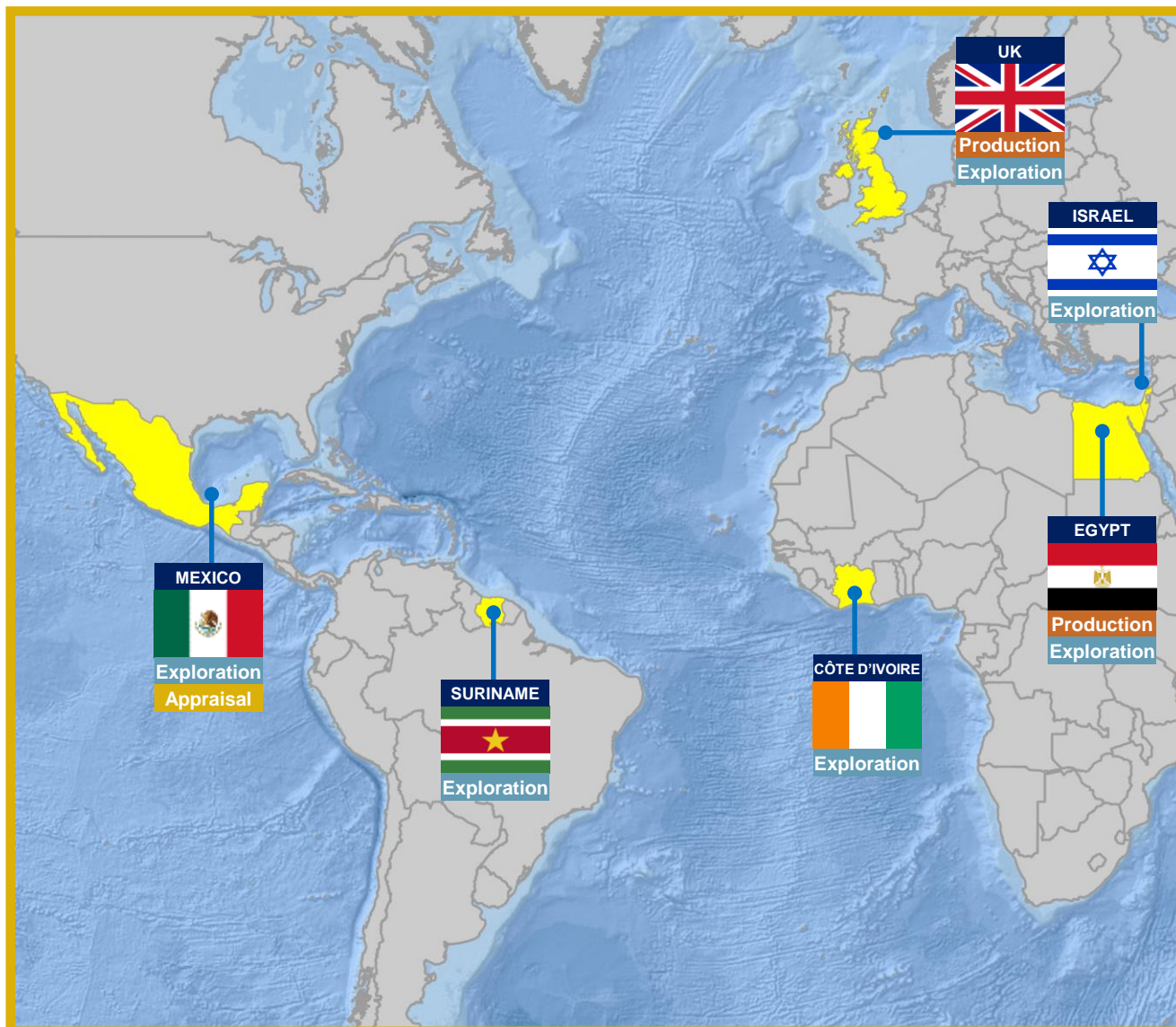
# Exploration

Eric Hathon





# Exploration Portfolio



## Advantaged Barrels Exploration

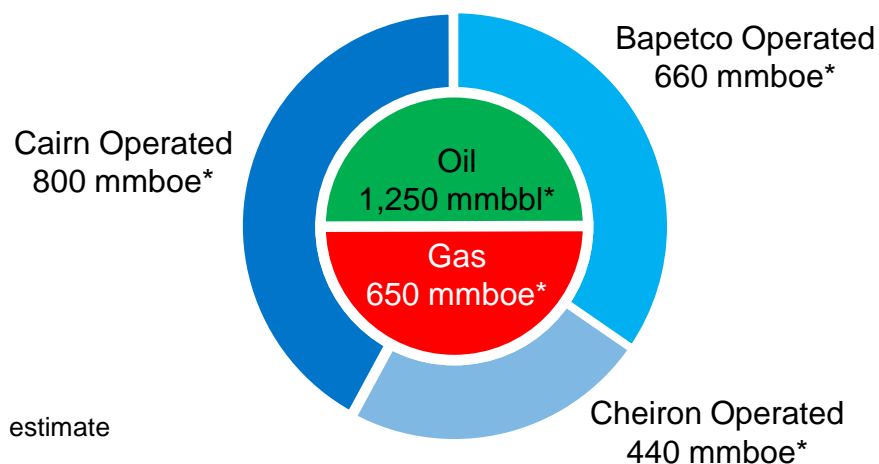
- Clear path to commerciality
- Development optimisation
- Attractive, stable fiscal regimes
- Assess carbon footprint of ventures; alignment with ESG priorities
- Infrastructure-led exploration (ILX) opportunities where we are advantaged
- Material frontier opportunities where scale drives value
- Flexible commitments allowing acceleration or deferral with commodity trends



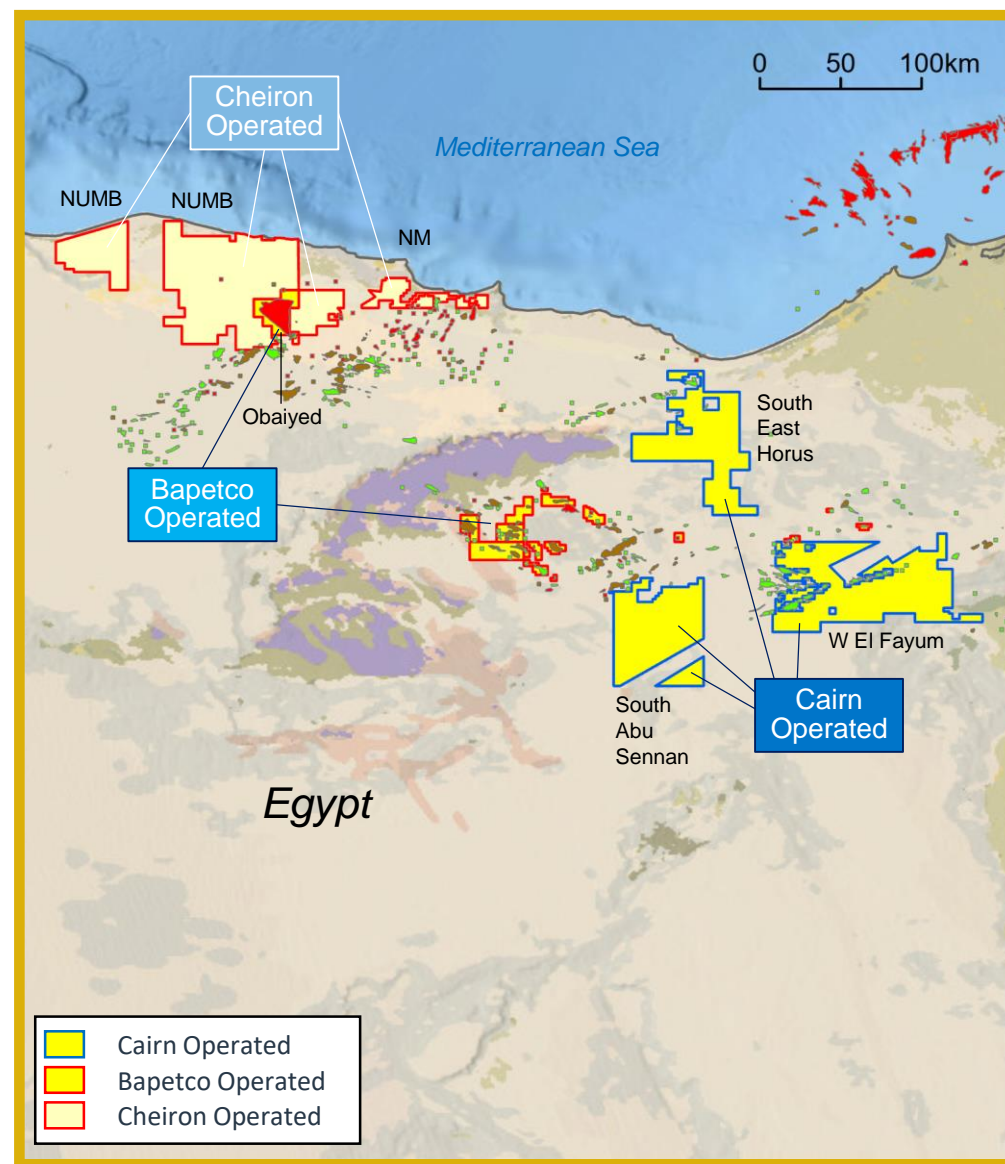
# Exploration Potential

- More than 400\* identified exploration opportunities with historical success rate >50%
- Gross unrisked resources: 1,900 mmboe\*
  - Oil 1,250 mmbbls\*
  - Gas 4.5 Tcf\*

## Gross Unrisked Resources



\* Shell estimate





# Western Desert Prospectivity

Advantaged barrels, play diversity and opportunities to apply new technology

## Proven Source Rocks

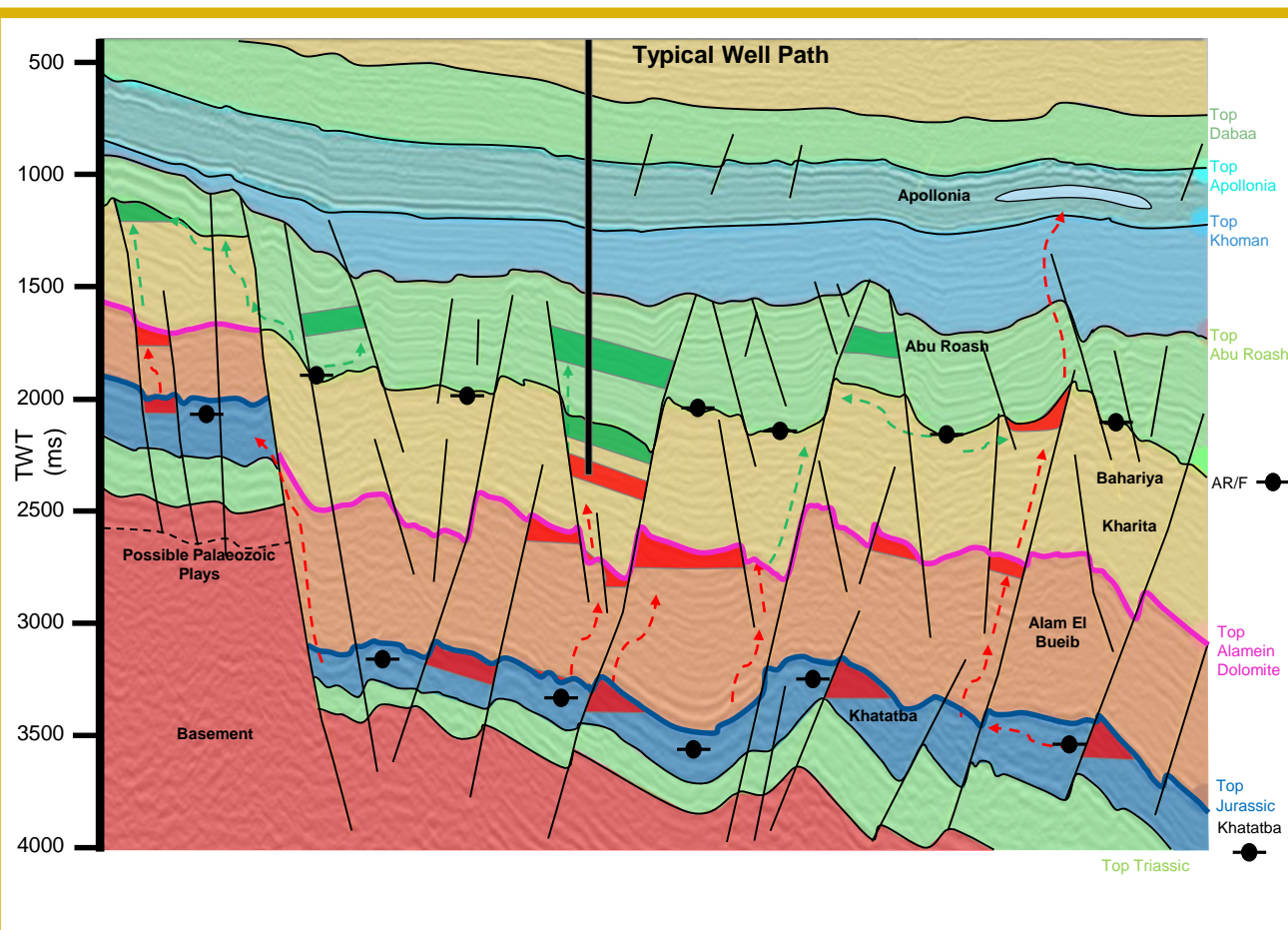
- Abu Roash F oil prone source rock
- Khatatba oil and gas prone source rock

## Producing Reservoirs

- Khatatba Fm
- Alam El Bueib Fm
- Kharita / Bahariya Fm
- Abu Roash Fm

## Multiple Plays

- Compressional structures
- Extensional hanging and foot wall closures
- Stratigraphic traps
- Shallow carbonate plays



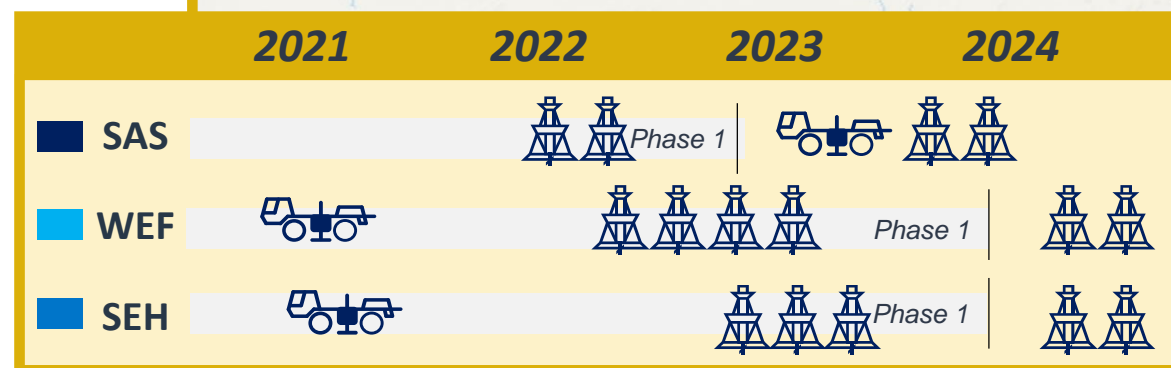
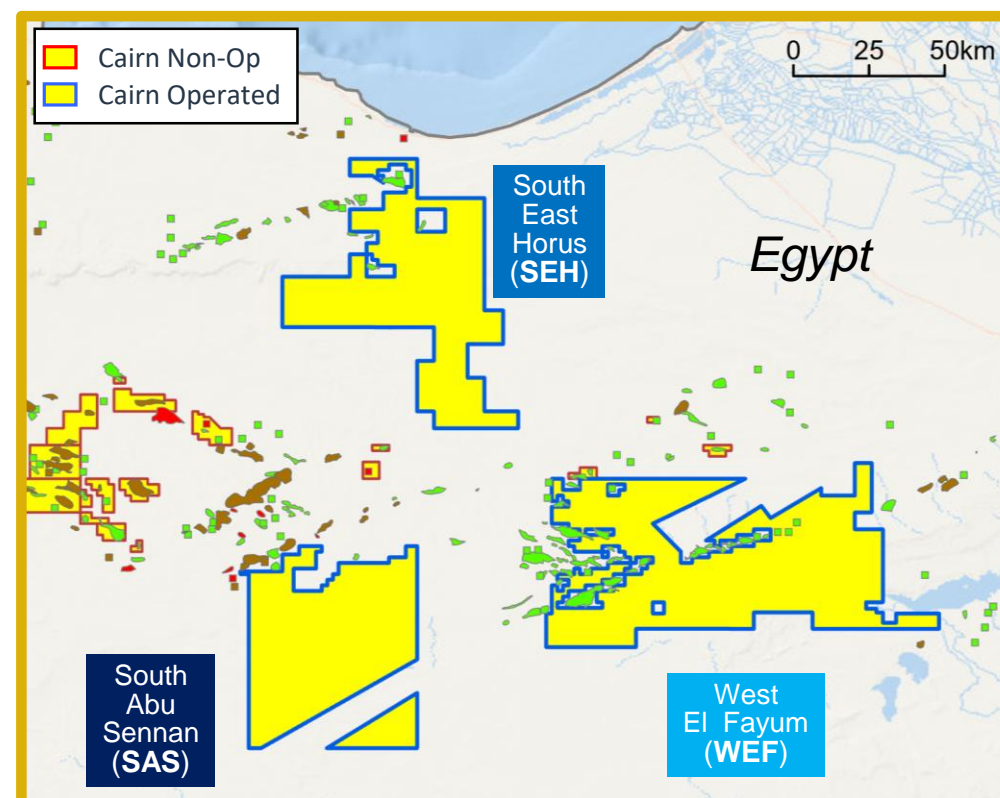
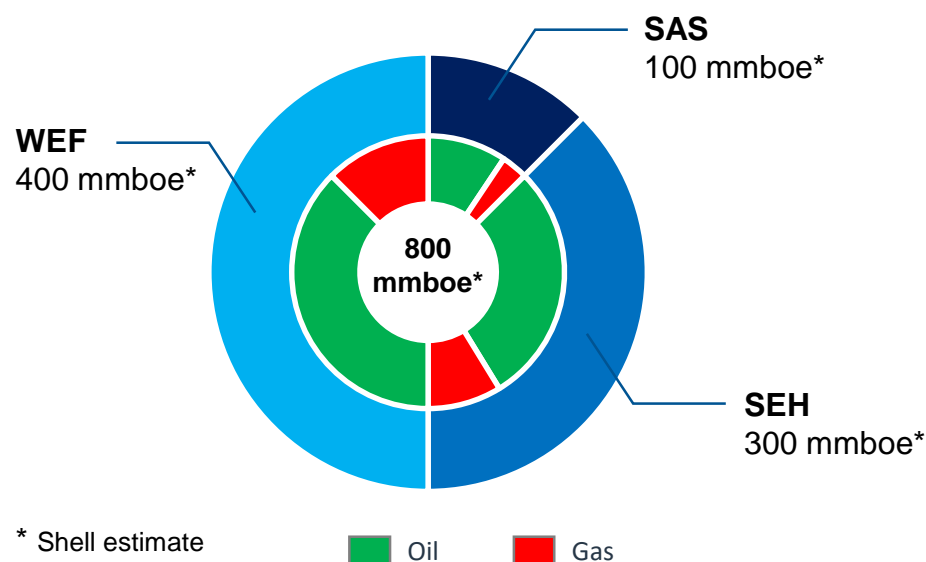
Technologies like Wide Azimuth 3D seismic data have potential to reveal unexplored resources





# Cairn Operated Exploration

- Gross unrisked resources: 800 mmboe\*
- Three exploration concessions covering ~9,000 sq km
- Significant cluster development potential also near to existing infrastructure
- Two 3D seismic surveys and 9 exploration wells over next 3 years



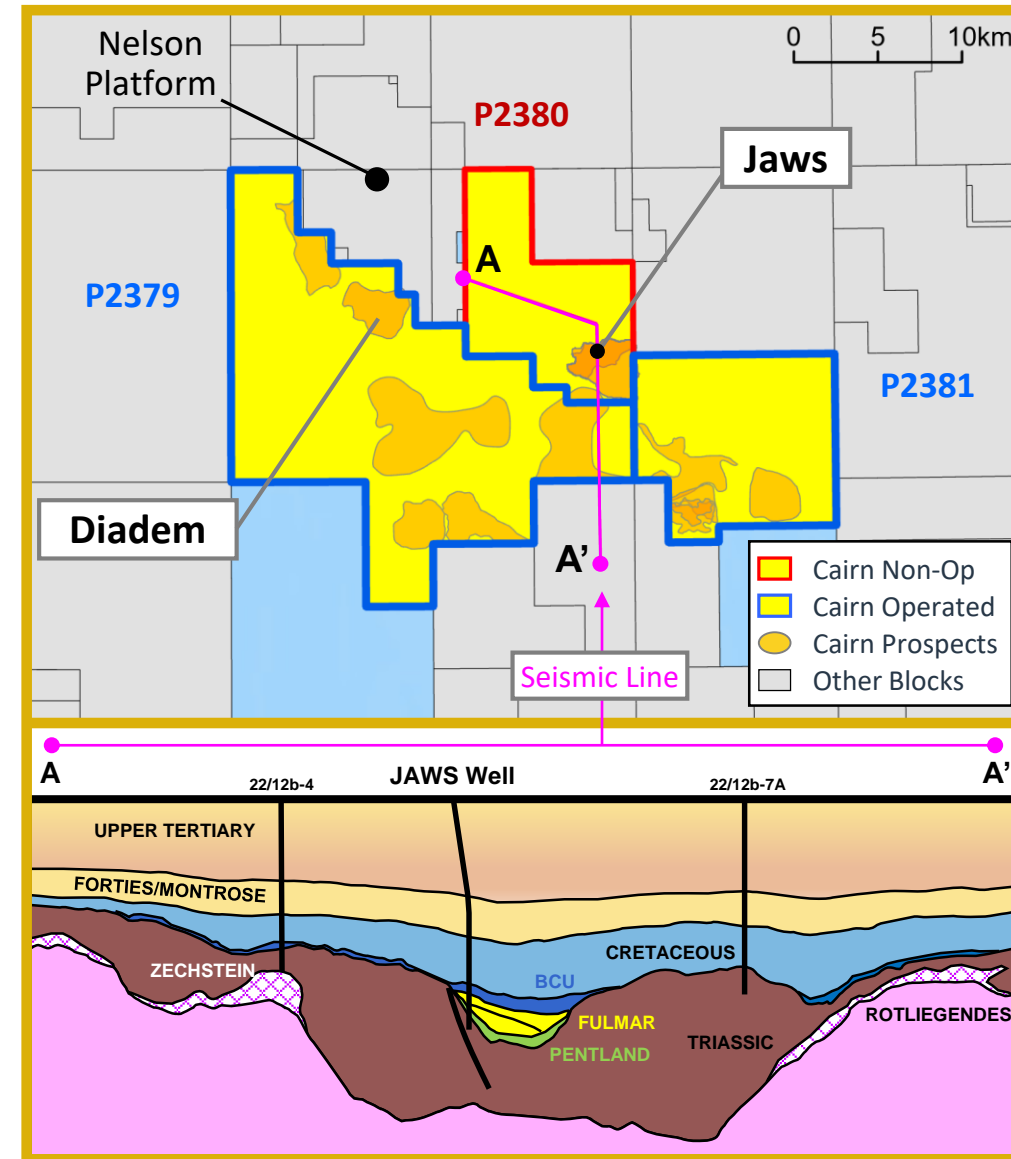


## UK North Sea Jurassic Fulmar Play



### Infrastructure-led Exploration (Cairn 50%, Shell 50%)

- P2379 and P2380
  - Shell-operated Jaws-1 well to spud Q2 2021
  - Jurassic Fulmar sandstone play
    - 32 mmboe gross recoverable resources
  - Cairn-operated Diadem-1 well to Spud Q2 2022
  - Multiple follow-on prospects with success
  
- P2381 (100% Cairn)
  - Prospectivity in Jurassic and deeper levels
  - Jaws results will inform value

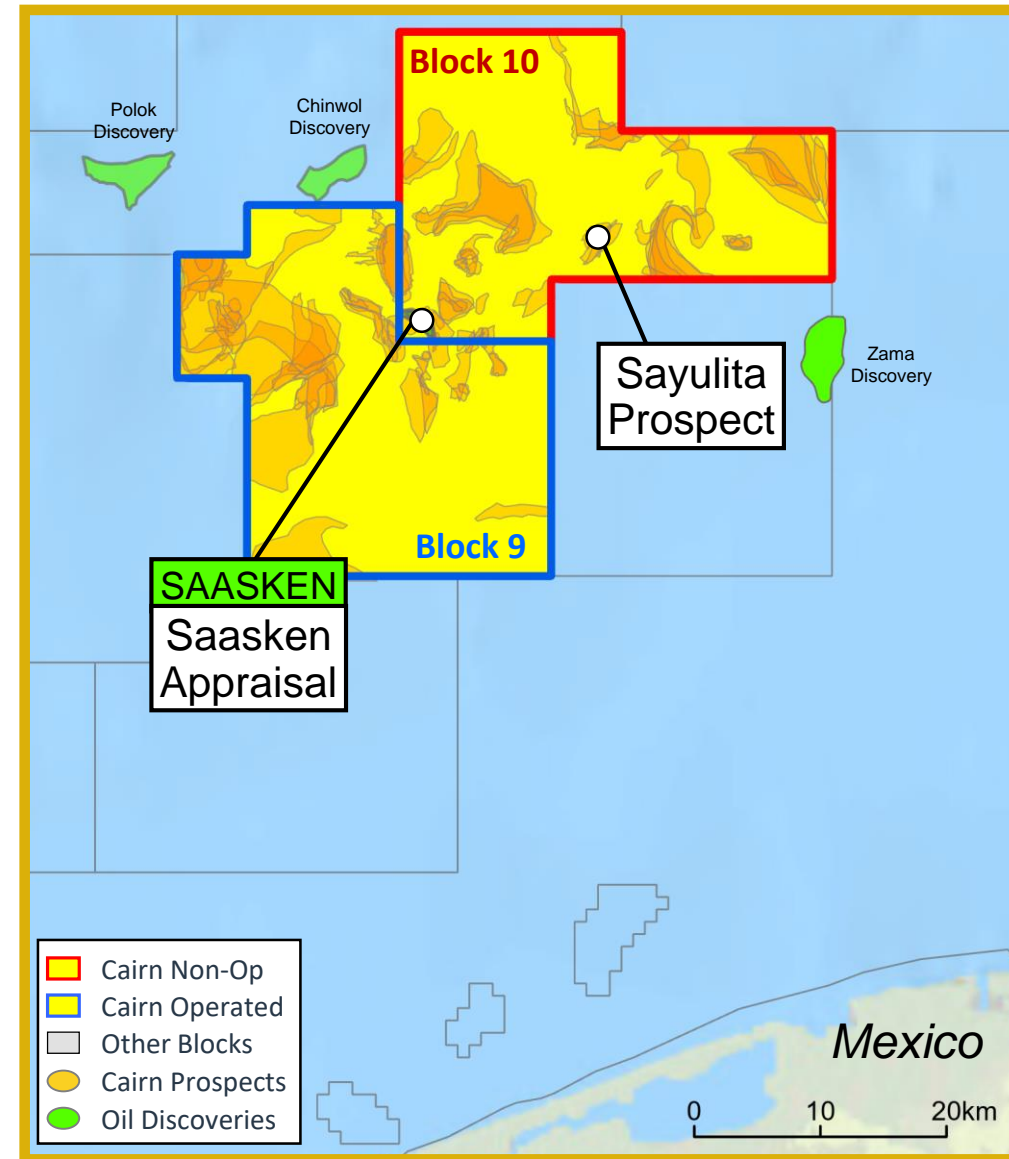


# Mexico Sureste Basin

Block 10 (ENI 65% Op, Cairn 15%, Lukoil 20%)

- Sayulita-1 well H1 2021 spud
- Amplitude-supported Pliocene turbidite targets
  - 160 mmbbls of oil in place\* recoverable resources
- Appraisal plan for Saasken discovery, option to drill Saasken appraisal well option being assessed by CNH
- Saasken appraisal well anticipated H2 2021
  - Forward plan in review with CNH
  - 200-300 mmbbls of oil in place\*
  - To evaluate amplitude extent downdip

\* Operator estimate

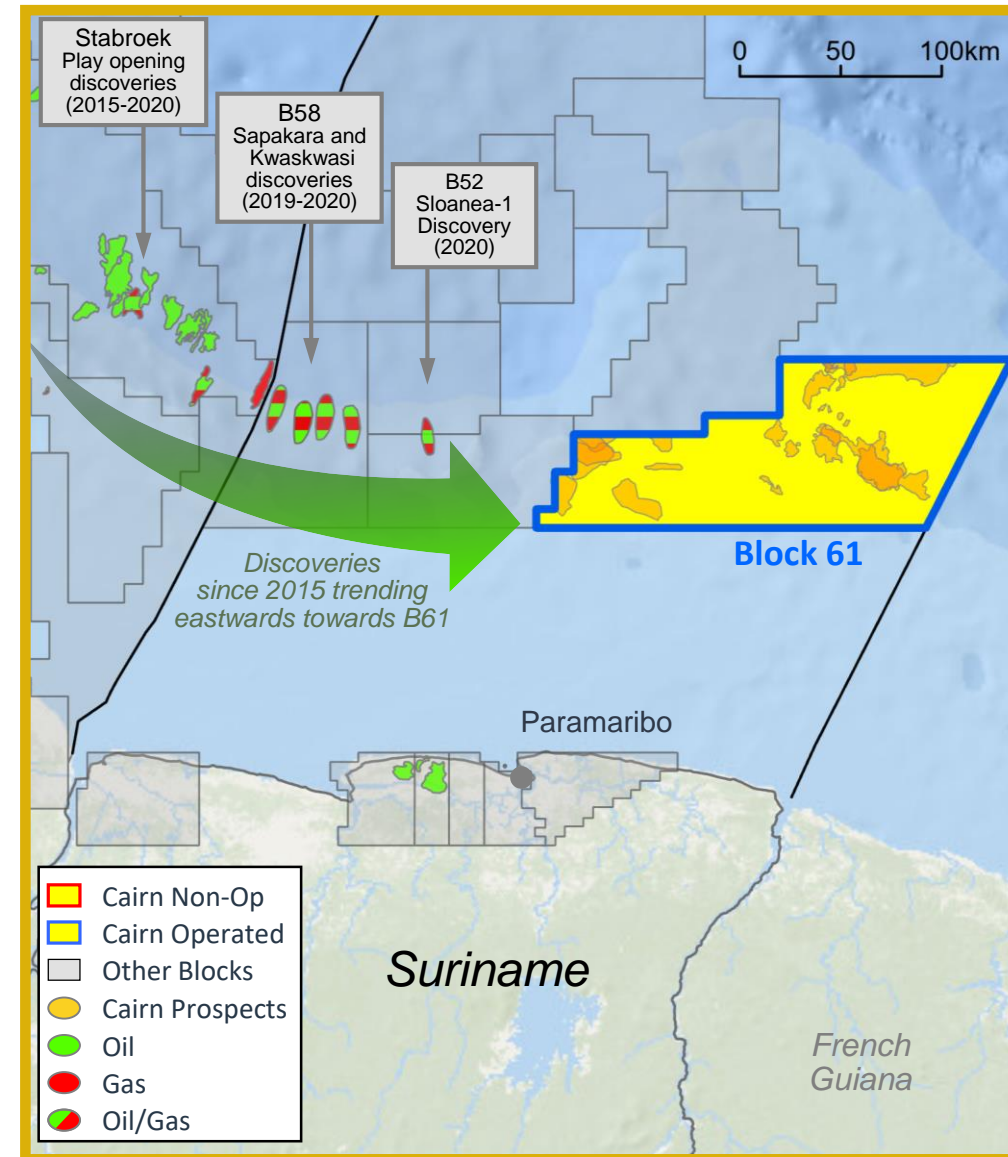




# Suriname Guyana-Suriname Basin

## Block 61 (Cairn 100% Op)

- World-class hydrocarbon basin
  - Significant recent discoveries moving eastward from Guyana into Suriname
- Multiple targets identified across block
  - 100 – 800m water depth
  - Access proven Late Cretaceous play fairway
- Focused 3D seismic acquisition planned H2 2021
- Positive regulatory and operating environment



# Conclusion

Simon Thomson





# Summary

**Responsible**

Refocussing our platform for differentiated growth over the next decade

Active portfolio management and capital allocation

**Ready**

Focused on generating further shareholder returns

Ready to deploy robust recovery options to safeguard shareholders' rights to India award

**Refocused**

Responsibly producing hydrocarbons in support of UN Sustainable Development Goals



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## Appendix





# Climate Change and Energy Transition

## Our Responsible Approach

- Committed to Net Zero by 2050
  - Examined actions to date to improve strategy and set clearer path
  - Endorsed World Bank ZRF by 2030
- Communication and transparency
  - Independent review of ESG reporting during 2020
  - TCFD and SASB indexes published in Q1 2021 with further areas for development identified
  - Enhancing TCFD and SASB disclosure for 2021 reporting cycle
- Governance
  - ESG: Executive accountable for standing Board item
  - ESG performance: Management Variable Remuneration
  - Portfolio resilience tested against transition scenarios

## Our Net Zero Roadmap

- Participate and contribute to host Government NDCs in line with Paris Agreement
- Aim to improve energy efficiency and reduce GHG emissions where under direct control, including the associated supply chain
- Aim to baseline, develop and execute GHG Reduction plans with JV partners
- Reduce emissions through offsetting
  - NECCUS investment and evaluation
  - Early-stage evaluation of natural carbon sink opportunities
- Targets
  - Committed to developing and communicating short, medium and long-term goals
  - Develop transparent and meaningful methodology for our non-operated business model
  - Aim to ensure a meaningful proportion of our upstream portfolio is operated, where we can directly drive improvements

## Committed to Working to Key External Standards



United Nations  
Global Compact

