EMBARGOED FOR RELEASE AT 0700 **7 September 2021**

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

Half-Year Report Announcement

Proposed capital return to shareholders of up to US$700m subject to India resolution
Egypt acquisition: first step in new growth platform

Simon Thomson, Chief Executive, Cairn Energy PLC said:

"Our significant acquisition in Egypt, which we expect to complete shortly, adds material gas-weighted production, low-cost, near-term growth and attractive exploration potential, in a region with strong demand trends. We intend to use our differentiated financial flexibility to add further scale to our production base and look forward to the next phase of strategic delivery.

Progress in resolving our Indian tax issue and active portfolio management leave Cairn well-positioned to deliver growth from a sustainable business, focused on generating further value and returns for shareholders."

H1 2021 Strategic and Operational highlights

- **Near term India resolution will enable further shareholder returns and acceleration of strategy**: up to US$700m to be returned to shareholders via special dividend and buyback, subject to approval, with remainder retained to further enhance the producing asset base
- **Securing long-term sustainable production, significant exploration potential and supporting cashflow growth:** Egypt acquisition advancing to completion with transition planning underway
- **Effective operational delivery:** further oil find in Block 10 offshore Mexico
- **Energy Transition:** Net Zero roadmap developed with key senior appointments to deliver Cairn's energy transition strategy
- **Balance sheet strength and financial flexibility:** Group cash at 30 June 2021 US$341m and no debt drawn following special dividend in January 2021 of US$257m
- Proposed divestment of UK North Sea producing assets: progressing towards Q4 2021 completion
- Cash outflows on capital expenditure of US$25m during first half of 2021

2021 Outlook

- Proposed capital return of up to US$700m following India resolution
- Egypt completion expected Q3 2021
- UK North Sea disposal expected Q4 2021
- Full year forecast net capital expenditure US$125m*; Exploration & Appraisal US$85m, Development & Production US$40m
- Expect to end 2021 net cash positive excluding India proceeds

**Includes US$20m for Kraken and Catcher which is refundable on sale completion*

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Presentation

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

Conference call

You can listen to the results presentation by dialling in to a conference call at 9am BST using the below dial-in details. Investors and analysts who wish to ask a question should use the conference call facility.

Dial-in Details:

United Kingdom (Local): +44 (0)330 336 9126

Access code: 2150329

Webcast

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

Transcript

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

Corporate & Finance Overview

Cairn has executed its strategy successfully in the first half of 2021. The expected near-term resolution of the India tax dispute would result in a refund to Cairn by the Government of India of INR 79bn (approximately US$1.06bn). In accepting the terms of the new legislation in India, Cairn would be required to withdraw its international arbitration award claim, interest and costs and to end all legal enforcement actions in order to be eligible for the refund.

Payment of the tax refund would enable a proposed return to shareholders of up to US$700m, via a special dividend of US$500m and a share buyback programme of up to US$200m. The remainder of the proceeds would be allocated to further expansion of the low cost, sustainable production base.

The proposed return following the expected near-term resolution with the Government of India will be in addition to payment of US$257m to shareholders in Q1 following the sale of our Senegal interests. The Senegal divestment proceeds also supported the proposed acquisition of Shell's Western Desert Assets in Egypt, replacing risked offshore development with sustainable, gas-weighted onshore production with significant growth potential.

The proposed Egypt acquisition, expected to complete in Q3 2021, is an important first step in Cairn's new platform for growth. The material portfolio provides long-term sustainable, low-cost production in one of the most prolific basins in North Africa, with an attractive oil and gas revenue mix and a supportive host government. Following completion, we anticipate a ramp up in investment during H1 2022. The current producing assets offer infill, improved waterflood and other development opportunities to extend field life and enhance production recovery rates. Furthermore, the exploration acreage holds significant short-cycle potential, with ten firm commitment wells planned and three seismic acquisition programmes. Alongside our partner, Cheiron, transition planning is well advanced and proceeding to expectations, with net WI production in H1 within previous expected guidance at ~35.5 kboepd. Full year guidance remains unchanged at 33 kboepd - 38 kboepd.

The divestment of Cairn's interests in the Kraken and Catcher fields in the UK North Sea is progressing towards completion in Q4 2021. The sale provides flexibility to enhance the producing asset base while retaining exposure to oil price growth through the terms of the sale. Following announcement of the planned disposal, the relevant UK assets and liabilities have been reclassified as assets and liabilities held-for-sale with results from operations now shown as discontinued operations.

During H1 2021, production from the UK assets generated a gross profit of US$140m within discontinued operations, with oil and gas revenue of US$257m at average realised oil prices of US$66.90 per bbl (before a US$2.74 per bbl loss on hedging). Average production costs were US$21.97 per boe excluding buy-out of the remaining stream on Kraken. Impairment of the disposal group of US$145m, largely due to the reversal of deferred tax assets in respect of tax losses, and cessation of deletion charges on reclassification, and finance costs of US$8m, resulted in a reported loss from discontinued operations relating to the UK producing asset of US$13m.

Full year production expectations for the UK producing assets are within a narrowed range of 17,000-19,000 bopd, with average all-in production costs of ~US$23.80/bbl in 2021.

Capital expenditure for 2021 is expected to be US$125m, including US$20m on Kraken and Catcher which is refundable on sale completion, forecast exploration expenditure of US$85m including Egypt, and Egypt development expenditure of US$20m. Net cash outflow on capital expenditure in H1 2021 was US$25m.

Energy transition – Net Zero roadmap

Cairn targets energy projects that can be developed and produced cost effectively, responsibly and in support of multiple UN Sustainable Development Goals. Cairn recognises the significant challenges climate change poses for ecosystems and communities; the Company is focused on reduction of Scope 1 & 2 greenhouse gas emissions and has accelerated its Net Zero target to 2040 or earlier, from 2050. Cairn will be guided in its reduction activities by focusing on avoiding, reducing, substituting and sequestering carbon with offsetting for the hardest to abate emissions. Cairn has made key senior appointments to progress the ongoing transition strategy and deliver its decarbonisation targets: Dr Valentina Kretzschmar joins the company as Energy Transition Director from Wood Mackenzie where she was Vice-President leading the development of Corporate New Energy research. Jonathan Dredge joins as Strategy and Energy Transition Adviser from the UK Oil and Gas Authority where he was Head of Energy Transition policy.

Short to medium term targets:

- Reduce emissions by 25% by 2030 via:
  - Use of more energy efficient vessels and services where practicable
  - Electrification of operations
  - Zero routine flaring in line with our commitment to the World Bank initiative

Long-term targets:

- Net zero emissions by 2040, or earlier
  - Operational improvement measures plus meaningful engineered or natural offsetting impact

Cairn is committed to reporting transparently on progress against its Net Zero roadmap.

Production

The North Sea producing assets delivered a net average rate of 19,215 bopd (cumulative 3.48m bbl) in H1 2021, at the upper end of expectations.

Catcher

Average Catcher Area (Cairn 20% WI) gross production for the period was 47,400 bopd. Gas reinjection trials are showing initial positive results, with a proposal for continual reinjection submitted to the OGA. The impact of Calcium Naphthenate build-up on produced water plant performance is being managed by the Operator. A 4D seismic survey to monitor fluid movement within the main reservoirs was successfully conducted in Q2 2021 and the early results are encouraging, with further infill potential possible. The contracting and development of the proposed 2022 drilling campaign of three wells is progressing to expectations, with drilling anticipated in Q1 2022.

Kraken

Average Kraken (Cairn 29.5% WI) gross production for the period was 33,000 bopd. The FPSO has continued to maintain high production and water injection efficiency rates, and overall low production decline. Further optimisation of combined well potential was achieved in H1 2021.

A new seismic survey has been acquired across the full Kraken area, which in combination with bypassed oil studies, will allow the identification of potential satellite targets in the west and infill targets within the main developed area of the field. Further drilling is currently most likely in 2023.

Exploration

Cairn continues to high-grade opportunities within an exploration portfolio which provides short-cycle, high-return potential targeting attractive positions in established and emerging plays. The focus is on resources with a clear path to commerciality, optimised development potential, energy transition relevance and in attractive fiscal regimes.

Egypt

The assets which form part of the proposed acquisition hold significant short-cycle exploration potential, with ten firm commitment wells planned and three seismic acquisition programmes across four exploration concessions in the next three years. After completion, three exploration licences will be operated by Cairn (West El Fayum, South East Horus and South Abu Sennan) and one other licence by our joint venture partner Cheiron (North Um Baraka). As part of transition planning, we are evaluating the large exploration opportunity set across these concessions and for the initial exploration phase, we have identified and are maturing a portfolio with more than 100 mmboe potential. In addition, new 3D seismic acquisition across North Um Baraka, West El Fayum and Southeast Horus is anticipated to generate additional potential, with a focus on deeper plays in the Jurassic and Palaeozoic-aged rocks. Following completion, 3D seismic acquisition is planned to commence in Q4 2021 in North Um Baraka, with 3D acquisition over the Cairn-operated concessions anticipated from Q2 2022. These new, high resolution seismic surveys will provide significantly improved imaging in prospective areas and will be particularly beneficial in imaging the deeper and under-explored Jurassic and Palaeozoic sections. Following completion, drilling is planned to begin in North Um Baraka in Q4 2021, with additional wells in South Abu Sennan and West El Fayum expected to spud in H2 2022.

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). The swap of 15% working interest with Eni on Blocks 9 and 10 was formally concluded in Q3 2021.

Drilling of a second exploration well by the Operator, Eni on the Sayulita prospect in Block 10, close to the 2020 Saasken oil discovery, concluded in Q3 2021, successfully finding oil. According to Eni preliminary estimates, the new find may contain between 150 to 200 mmboe in place. With a number of nearby prospects, the commercial potential of a cluster development is being assessed.

The evaluation plan for the 2020 Saasken discovery in Block 10 has been approved by CNH. This will include the drilling of appraisal well Saasken-2DEL in H2 2021. In a success case, the well will be suspended as a future oil producer.

On Block 9, (Cairn 50% WI, Operator) the joint venture continues to re-evaluate prospective resources in the light of recent exploration activities and several oil discoveries made nearby, including in Block 10.

On Block 7 (Cairn 30% WI), the joint venture is selecting one or more prospects to target with a second commitment exploration well due to be drilled in 2022.

UK

In August, Cairn entered into a conditional farm-in agreement with Deltic Energy Plc for a majority interest in five Southern North Sea licences: P2428 and P2567 (60% WI) and P2560, P2561 and P2562 (70% WI). Cairn will fund the work programme for each licence until the drill or drop decision point, with an upfront consideration of US$1m to be paid to Deltic as a contribution to historic cost. Following completion, Cairn will operate the licences.

Drilling preparation continues on licences P2380 (Cairn 50% WI) and P2379 (Cairn 50% WI, Operator). The Jaws exploration well on P2380 is now expected to spud in Q4 2021, the Diadem well on P2379 is due to spud during Q2 2022. A drill stem test is planned in a success case for both wells.

A discovery in either well can be developed through subsea tieback to the nearby Shell-operated Nelson production facilities. Analogous follow-on exploration potential has been mapped on licences P2379 and P2381 (Cairn 100% WI).

On licence P2468 (Cairn 50% WI, Operator) in the East Orkney Basin, shallow geophysical data has been acquired to assist positioning of shallow seafloor boreholes to be drilled in Q3 2021, with analysis of seabed samples informing a decision on the acquisition of 3D seismic data.

Suriname

Cairn (100% WI) operates Block 61, the largest offshore PSC in Suriname. The block is situated within the world-class Guyana-Suriname basin where significant discoveries continue to be made in 2021. Acquisition of 3D seismic is being considered to develop potential drilling opportunities in both shallow and deep-water areas of the block. The current phase of the licence has been extended until June 2022.

Israel

Cairn has a 33.34% WI as Operator in eight licences offshore Israel. Seismic processing in order to mature prospectivity ahead of a drilling decision in Q3 2022 concluded in Q3 2021.

Mauritania

Cairn secured a 90% WI as Operator in Block C7 offshore Mauritania effective May 2021. The licence has a two-year first exploration period. The work programme includes a seismic reprocessing project and an environmental baseline survey scheduled for late 2021 which will inform a drilling decision.

Côte d'Ivoire

Cairn relinquished the operated licences CI-301 and CI-302 at the end of the first exploration period, effective April 2021. The Tullow-operated CI-520 licence was relinquished by the joint venture at the end of the first exploration period, effective end-August 2021.

Outlook

We expect to complete the acquisition of Shell's Western Desert assets in Egypt later this month, the first step in the establishment of Cairn's new growth platform. We expect to complete the divestment of our UK producing assets in Q4 2021.

Near-term resolution of the Indian tax dispute, alongside significant recent portfolio changes, will ensure that Cairn remains well-positioned to continue successful delivery of its differentiated business model of returning value to shareholders against a backdrop of sustainable cash-flow generation and growth.

Financial Review

India Tax Dispute

The Group is considering entering into statutory undertakings with the Government of India in respect of new legislation, which would enable the refund of retrospective taxes collected from Cairn in India by way of asset seizures since 2014 totalling INR 79bn (approximately US$1.06bn). The final form of these statutory undertakings has yet to be published by the Government of India, but it is anticipated that the principal condition that they prescribe will be the withdrawal of Cairn's rights under the international arbitration award. As the Group has not yet entered into any such undertakings, Cairn's receivable under the award of the international arbitration remained classified as a contingent asset at the 30 June balance sheet date.

Net cash inflow for the Period

	US$m
Opening cash at 1 January 2021	569.6
Return of cash to shareholders	(257.2)
Net cash inflow from operations	106.0
Exploration expenditure	(18.9)
Development expenditure – UK	(6.4)
Oil and gas asset acquisition and disposal costs [1]	(13.9)
Pre-award costs and new venture activities [2]	(16.9)
Administration expenses, office leases and corporate assets	(16.2)
Net finance costs, equity and other movements	(4.7)
Closing cash at 30 June 2021	**341.4**

[1] Egypt acquisition deposit of US$7.9m and settlement of accrued Senegal disposal costs of US$6.0m

[2] Cash outflows on new venture activities of US$8.3m not relating to pre-award activities are reallocated from administration costs

Reconciliation of statutory cash flow to cash inflow from operations:

	US$m
Operating cash flow per statutory cash flow statement	**101.3**
Non-GAAP Adjustments:	
Administrative costs reallocated	13.6
Pre-award and new venture costs reallocated	16.9
FPSO fixed lease payments	(25.8)
Net cash inflow from operations	**106.0**

Cairn had cash balances of US$341.4m at 30 June 2021, representing a net cash outflow of US$228.2m over the period. Net cash inflows excluding the return of cash to shareholders were US$29.0m. No debt was drawn under the Group's RBL bank facility during the period.

Net cash inflows from UK operations of US$99.6m after deducting development expenditure, reduce the proceeds due from Waldorf on completion of the proposed sale.

Continuing Operations

Exploration assets

During the period, the Group relinquished its two operated licences in Côte d'Ivoire and, with the remaining non-operated licence expiring in August 2021, costs of US$15.1m have been charged to the Income Statement.

In Mexico, the farm-down of a 15% interest in Block 9 and farm-in to an equivalent 15% interest in Block 10 was approved by CNH in June 2021 with the signing of the revised productions sharing contracts, being the final step for completion, occurring in July 2021. Costs recorded to 30 June do not include the year-to-date cost of drilling on the Sayulita find, announced in August, nor the interim period adjustment that was payable to Cairn on completing the farm down of Block 9.

Results for the period

Pre-award costs and unsuccessful exploration costs incurred in the period were US$8.6m and US$14.9m, the latter relating entirely to the relinquishments in Côte d'Ivoire where all previously capitalised costs have been expensed.

Administrative costs have increased year-on-year from US$16.7m for the six months to June 2020 to US$24.6m in the current period, largely due to costs incurred enforcing Cairn's rights under the international arbitration award as well as costs associated with planning for integration of the Egyptian business.

Net finance costs in the six months to 30 June 2021 of US$43.1m include the release of remaining prepaid facility fees in connection with the Group's RBL facility which is no longer expected to be drawn, and a US$39.4m historic exchange loss recycled from Other Comprehensive Income on the liquidation of a subsidiary which previously held interests in the Kraken asset during the exploration phase.

Acquisition of Shell Egypt Western Desert assets

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 (net to Cairn's acquired interest). 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. In June 2021, Cairn entered into two new loan facilities relating to the transaction which become available on completion.

Discontinued Operations

Proposed disposal of UK Producing assets

Cairn expects the sale of its UK producing assets, Catcher and Kraken to conclude in Q4 2021. Assets and liabilities relating to the operations to be sold are classified as held-for-sale in the June Balance Sheet with results for the first six months of 2021 presented as discontinued operations, with comparatives restated.

The loss from discontinued operations of US$12.8m, includes a gross profit from production for the year-to-date of US$139.8m, an impairment charge of US$144.6m following reclassification as assets and liabilities held-for-sale and exchange losses predominantly on the decommissioning provisions of US$8.0m.

Key Production Statistics

	Half Year ended 30 June 2021	Half Year ended 30 June 2020	Year ended 31 December 2020
Production – net WI share (boepd) [1]	**19,268**	22,866	21,350
Sales volumes (boepd) [2]	**20,230**	23,695	20,993
Average price per bbl before hedging (US$) [3]	**66.90**	40.21	42.56
Revenue from production (US$m) [4]	**244.9**	172.1	324.5
Average production costs per boe (US$) [5]	**21.97**	16.29	19.73
Net cash inflow from oil and gas production (US$m)	**106.0**	132.0	239.4
Net cash inflow from operating activities (US$m)	**101.3**	136.3	257.9

[1] Based on 20% Catcher production and 29.5% of Kraken production before deducting FlowStream's entitlement to Kraken

volumes during the period of 216 boepd (HY 2020 1,570 boepd; YE 2020: 1,012 boepd)

[2] Working interest share of cargoes sold during the period, net of FlowStream entitlement to April 2021

[3] before hedging losses of US$2.74/bbl (HY 2020: gains of US$7.91/bbl; YE 2020: gains of US$7.27/bbl); excludes gas sales

[4]Included within discontinued operations

[5] Based on total production costs of US$76.5m (HY 2020: US$67.7m; YE 2020: US$155.8m), including total lease payments; see table below – excludes FlowStream settlement

During the period to June 2021 and in advance of the sale to Waldorf completing, Cairn completed an agreement with FlowStream to buy-out its remaining stream entitlement to Kraken production. Costs of the buy-out together with the release of the remaining deferred revenue of US$21.7m are included in discontinued operations.

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

	Half year ended 30 June 2021	Half year ended 30 June 2020	Year ended 31 December 2020
Production costs (US$m) [1]	**34.7**	33.5	75.9
Variable lease costs (US$m)	**16.1**	5.9	23.0
Fixed lease costs for FPSOs (US$m) [2]	**25.7**	28.3	56.9
Total lease costs (US$m)	**41.8**	34.2	79.9
Total production costs (US$m)	**76.5**	67.7	155.8
Total production costs per boe (US$)	**21.97**	16.29	19.73
Of which, total lease costs per boe (US$)	**12.00**	8.23	10.23

[1] 2021 year-to-date production costs of US$34.7m, FlowStream settlement of US$21.7m, variable lease payments of US$16.1m and inventory movements of US$9.0m combined in cost of sales of US$81.5m per note 6.1

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

Results for the period include an impairment charge of US$144.6m on assets held-for-sale. This impairment arises from the change in the tax base of the assets reflecting the change in realisation from continued production to disposal and the ultimate reversal of tax losses on future production, together with a cessation of depletion of the asset at the date of reclassification as held-for-sale. Depletion charges included in discontinued operations are US$35.3m, which is US$60.4m less than would have been recorded had the assets remained in continuing operations.

The recoverable value of assets in the impairment test includes the amounts due on completion of the transaction of US$425.0m, the net present value of deferred consideration of US$35.0m and the risk-weighted fair value of earn-out consideration of US$140.6m, offset by interim period adjustments of US$272.6m from the effective economic date of the transaction of 1 January 2020 to 30 June 2021.

Principal risks and uncertainties

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

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

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

Responding to Changing Risks during H1 2021

Cairn has assessed the risks and uncertainties at the end of H1 2021 and the principal risks are:

- Volatile oil and gas prices
- Inability to repatriate full amount of refund due under India legislation
- Production interruption on Kraken and Catcher assets
- Lack of exploration success
- Failure to secure targeted new venture opportunities
- Climate change policy and its impact on energy transition
- Misalignments with JV operators
- Lack of adherence to health, safety, environment and security policies
- Fraud, bribery and corruption
- Political and fiscal uncertainties
- Diminished access to debt markets
- Cybersecurity breach leading to significant business interruption

As part of the embedded risk management process, the Group actively considers emerging risks and threats which could impact on the business. In H1 2021, the Group continued to assess the evolving threats from COVID-19 and the potential future impacts to the safety and protection of personnel as well as the Group's operations. The risk has been actively managed, and the Group has not experienced any material health, safety or operational impacts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors' confirm that these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and give a true and fair view of the assets, liabilities, financial position and loss for the period and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

The directors of Cairn Energy PLC are listed in the Cairn Energy PLC Annual Report for 31 December 2020. A list of current directors is maintained on the Cairn Energy PLC website: www.cairnenergy.com.

By order of the Board.

Simon Thomson	**James Smith**
Chief Executive	Chief Financial Officer
6 September 2021	6 September 2021

Independent review report to Cairn Energy PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Cairn Energy PLC's condensed consolidated interim financial statements (the "interim financial statements") in the half-year report of Cairn Energy PLC for the 6 month period ended 30 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the group balance sheet as at 30 June 2021;
- the group income statement and group statement of comprehensive income for the period then ended;
- the group statement of cash flows for the period then ended;
- the group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
6 September 2021

Cairn Energy PLC
Financial Statements
For the six months ended 30 June 2021

Contents

Cairn Energy PLC

Group Income Statement

For the six months ended 30 June 2021

	Note	**30 June 2021 (unaudited) US$m**	30 June 2020 (unaudited) (restated) US$m	31 December 2020 (audited) (restated) US$m
Continuing operations				
Revenue		**0.5**	0.2	0.4
Gross profit		**0.5**	0.2	0.4
Pre-award costs		**(8.6)**	(5.5)	(12.1)
Unsuccessful exploration costs	2.1	**(14.9)**	(67.6)	(78.8)
Other operating income		**0.2**	-	1.4
Administrative expenses		**(24.6)**	(16.7)	(41.1)
Operating loss		**(47.4)**	(89.6)	(130.2)
Gain/(Loss) on financial assets at fair value through profit or loss		**3.1**	(1.8)	0.1
Finance income	4.2	**5.9**	11.0	0.8
Finance costs	4.3	**(49.0)**	(3.4)	(27.9)
Loss before taxation from continuing operations		**(87.4)**	(83.8)	(157.2)
Tax charge		**-**	(0.1)	(0.1)
Loss from continuing operations		**(87.4)**	(83.9)	(157.3)
Loss from discontinued operations	6.1	**(12.8)**	(239.6)	(236.5)
Loss for the period attributable to equity holders of the Parent		**(100.2)**	(323.5)	(393.8)
Earnings per share for loss from continuing operations:				
Loss per ordinary share – basic and diluted (cents)	4.4	**(17.53)**	(14.40)	(26.99)
Earnings per share for loss attributable to equity holders of the Parent:				
Loss per ordinary share – basic and diluted (cents)	4.4	**(20.10)**	(55.52)	(67.58)

Cairn Energy PLC

Group Statement of Comprehensive Income

For the six months ended 30 June 2021

	Note	**30 June 2021 (unaudited) US$m**	30 June 2020 (unaudited) (restated) US$m	31 December 2020 (audited) (restated) US$m
Loss for the period attributable to equity holders of the Parent		**(100.2)**	(323.5)	(393.8)
Other Comprehensive Income – items that may be recycled to the Income Statement				
Fair value (loss)/gain on hedge options	3.5	**(13.3)**	58.7	52.2
Hedging loss/(gain) recycled to the Income Statement	3.5	**10.0**	(33.7)	(56.0)
Currency translation differences		**1.1**	(16.3)	14.7
Currency translation differences recycled on disposal of subsidiary		**39.4**	44.6	44.6
Other Comprehensive Income for the period		**37.2**	53.3	55.5
Total Comprehensive Expense for the period attributable to equity holders of the Parent		**(63.0)**	(270.2)	(338.3)
Total Comprehensive Expense from:				
Continuing operations		**(46.9)**	(93.2)	(135.7)
Discontinuing operations		**(16.1)**	(177.0)	(202.6)
		(63.0)	(270.2)	(338.3)

Cairn Energy PLC
Group Balance Sheet
As at 30 June 2021

	Note	**30 June 2021 (unaudited) US$m**	30 June 2020 (unaudited) US$m	31 December 2020 (audited) US$m
Non-current assets				
Intangible exploration/appraisal assets	2.1	**117.1**	110.2	112.1
Property, plant & equipment – development/producing assets	2.2	**-**	1,381.5	849.8
Other property, plant & equipment and intangible assets		**9.1**	12.3	11.5
		126.2	1,504.0	973.4
Current assets				
Inventory		**-**	6.1	12.3
Financial assets at fair value through profit or loss		**8.3**	3.3	5.2
Cash and cash equivalents	3.1	**341.4**	84.1	569.6
Trade and other receivables	3.3	**37.5**	108.9	74.6
Derivative financial instruments	3.5	**-**	26.4	0.2
		387.2	228.8	661.9
Assets held-for-sale	6.2	**724.9**	-	-
Total assets		**1,238.3**	1,732.8	1,635.3
Current liabilities				
Lease liabilities	3.2	**2.4**	43.4	43.2
Derivative financial instruments	3.5	**6.8**	-	3.2
Trade and other payables	3.4	**22.4**	115.7	91.6
Deferred revenue	3.6	**-**	5.0	4.8
		31.6	164.1	142.8
Non-current liabilities				
Provisions – decommissioning	2.3	**2.2**	139.0	153.2
Lease liabilities	3.2	**2.5**	218.4	196.8
Deferred revenue	3.6	**-**	21.7	16.9
		4.7	379.1	366.9
Liabilities held-for-sale	6.2	**398.9**	-	-
Total liabilities		**435.2**	543.2	509.7
Net assets		**803.1**	1,189.6	1,125.6
Equity attributable to equity holders of the Parent				
Called-up share capital	7.1	**12.6**	12.6	12.6
Share premium		**490.6**	489.8	490.1
Shares held by ESOP/SIP Trusts		**(19.1)**	(15.4)	(13.4)
Foreign currency translation		**(90.3)**	(161.8)	(130.8)
Merger and capital reserves		**40.8**	40.8	40.8
Hedge reserve		**(6.7)**	25.4	(3.4)
Retained earnings		**375.2**	798.2	729.7
Total equity		**803.1**	1,189.6	1,125.6

Cairn Energy PLC

Group Statement of Cash Flows

For the six months ended 30 June 2021

	30 June 2021 (unaudited) US$m	30 June 2020 (unaudited) (restated) US$m	31 December 2020 (audited) (restated) US$m
Cash flows from operating activities:			
Loss before taxation from continuing operations	**(87.4)**	(83.8)	(157.2)
(Loss)/Profit before tax from discontinued operations (note 6.1)	**(12.8)**	(202.7)	37.7
Loss before tax including discontinued operations	**(100.2)**	(286.5)	(119.5)
Release of deferred revenue	**(21.7)**	(8.9)	(13.9)
Unsuccessful exploration costs	**14.9**	67.6	78.8
Depreciation, depletion and amortisation charges	**38.7**	110.6	223.1
Share-based payments charge	**5.5**	4.8	9.1
Impairment of intangible exploration/appraisal assets	**-**	144.7	-
Impairment of property, plant & equipment – development/producing assets	**-**	94.6	-
Impairment of disposal group non-current assets	**144.6**	-	-
(Gain)/Loss on financial assets at fair value through profit or loss	**(3.1)**	1.8	(0.1)
Finance income	**(5.9)**	(22.0)	(0.8)
Finance costs	**57.0**	12.8	51.5
Income tax paid	**-**	(0.3)	-
Inventory movement	**9.0**	7.7	1.5
(Increase)/Decrease in trade and other receivables (note 3.3)	**(18.5)**	-	16.6
(Decrease)/Increase in trade and other payables (note 3.4)	**(19.0)**	9.4	11.6
Net cash flows from operating activities	**101.3**	136.3	257.9
Cash flows from investing activities:			
Expenditure on intangible exploration/appraisal assets	**(18.9)**	(105.1)	(126.7)
Expenditure on property, plant & equipment - development/producing assets	**(6.4)**	(173.5)	(271.4)
Expenditure on other property, plant & equipment and intangible assets	**(1.4)**	(1.2)	(2.7)
Prepaid acquisition of oil and gas assets	**(7.9)**	-	-
Proceeds on disposal of oil and gas assets	**-**	-	524.8
Costs incurred on disposal of oil and gas assets	**(6.0)**	-	(1.7)
Proceeds on disposal of subsidiary	**-**	105.2	105.2
Costs incurred on disposal of subsidiary	**-**	(0.5)	(0.5)
Cash and cash equivalents of subsidiary disposed of	**-**	(2.2)	(2.2)
Interest received and other finance income	**0.1**	0.8	0.8
Net cash flows (used in)/from investing activities	**(40.5)**	(176.5)	225.6
Cash flows from financing activities:			
Return of cash to shareholders (note 7.2)	**(257.2)**	-	-
Debt arrangement fees	**-**	-	(5.3)
Other interest and charges	**(3.5)**	(4.9)	(7.8)
Proceeds from borrowings	**-**	-	139.6
Repayment of borrowings	**-**	-	(139.6)
Proceeds from issue of shares	**0.5**	-	0.3
Cost of shares purchased	**(8.3)**	(0.5)	(1.0)
Lease payments (note 3.2)	**(27.0)**	(29.6)	(59.5)
Lease reimbursements	**-**	3.0	4.0
Net cash flows used in financing activities	**(295.5)**	(32.0)	(69.3)
Net (decrease)/increase in cash and cash equivalents	**(234.7)**	(72.2)	414.2
Opening cash and cash equivalents at the beginning of the period	**569.6**	153.7	153.7
Foreign exchange differences	**6.5**	2.6	1.7
Closing cash and cash equivalents (note 3.1)	**341.4**	84.1	569.6

Cairn Energy PLC

Group Statement of Changes in Equity

For the six months ended 30 June 2021

	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 2020	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
Loss for the period	-	-	-	-	-	(100.2)	**(100.2)**
Fair value on hedge options	-	-	-	-	(13.3)	-	**(13.3)**
Hedging loss recycled to the Income Statement	-	-	-	-	10.0	-	**10.0**
Currency translation differences	-	-	1.1	-	-	-	**1.1**
Currency translation differences recycled on disposal of subsidiary	-	-	39.4	-	-	-	**39.4**
Total comprehensive income/(expense)	-	-	40.5	-	(3.3)	(100.2)	**(63.0)**
Exercise of employee share options	0.5	-	-	-	-	-	**0.5**
Share-based payments	-	-	-	-	-	5.5	**5.5**
Cost of shares purchased	-	(8.3)	-	-	-	-	**(8.3)**
Cost of shares vesting	-	2.6	-	-	-	(2.6)	**-**
Return of cash to shareholders	-	-	-	-	-	(257.2)	**(257.2)**
At 30 June 2021	**503.2**	**(19.1)**	**(90.3)**	**40.8**	**(6.7)**	**375.2**	**803.1**

Cairn Energy PLC

Group Statement of Changes in Equity (continued)

For the six months ended 30 June 2020

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

Section 1 – Basis of Preparation

1.1 Accounting Policies: Basis of preparation

The half-yearly condensed consolidated Financial Statements for the six months ended 30 June 2021 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with UK adopted International Accounting Standard IAS 34, 'Interim financial reporting'. They should be read in conjunction with the annual Financial Statements for the year ended 31 December 2020, which have been prepared in accordance with the IFRS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union.

This half-yearly report was approved by the Directors on 6 September 2021. The disclosed figures, which have been reviewed but not audited, are not statutory accounts in terms of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020, on which the auditors gave an unqualified audit report, which did not contain an emphasis of matter paragraph or any statement under section 498 of the Companies Act 2006, have been filed with the Registrar of Companies.

This half-yearly report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ending 31 December 2021 and uses the same accounting and financial risk management policies and methods of computation as those applied for the year ended 31 December 2020, other than changes to accounting policies resulting from the adoption of new or revised accounting standards. Changes to IFRS effective 1 January 2021 have no significant impact on Cairn's accounting policies or Financial Statements.

The annual financial statements for the year to 31 December 2021 will be prepared in accordance with IFRS as adopted by the UK Endorsement Board. This change in basis of preparation is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in the framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

Significant key estimates and assumptions are unchanged from those applied in the year ended 31 December 2020 and have accordingly been applied here, except as noted below.

Cairn has agreed the sale of its UK producing assets, Catcher and Kraken, subject to approvals from joint operation partners and relevant authorities. The proposed disposal was agreed on 8 March 2021 and assets and liabilities within the transaction perimeter have been reclassified as held-for-sale as at that date. Impairment tests have been performed on the disposal group both at the date of reclassification and at the period end. The recoverable value of the disposal group has been calculated using expected proceeds from the transaction less cost of disposal. The expected proceeds include the current fair value of earn-out consideration options within the agreement, with an internal risk-weighting for non-market conditions being achieved. Details of the transaction can be found in section 6.

1.2 Going Concern

The Directors have considered the factors relevant to support a statement of going concern. In assessing whether the going concern assumption is appropriate, the Board considered the Group cash flow forecasts under various scenarios, identifying risks and mitigating factors and ensuring the Group has sufficient funding to meet its current and contracted commitments as and when they fall due for a period of at least 12 months from the date of signing these Financial Statements. The ongoing COVID-19 pandemic has had little impact on the Group's operations, other than rephasing of capital expenditure.

Base-case forecasts assume completion of the Shell Western Desert acquisition within the conditions of the associated financing facilities and completion of the sale of the North Sea producing assets. Downside scenario assumptions include sustained low oil prices, reductions to forecast production, cost overruns on planned drilling activities, the planned disposal of North Sea producing assets not completing and a reduction in amounts available to be drawn from borrowing facilities. Upside from the settlement of the Indian Tax dispute is not included.

At the Balance Sheet date and the date of this report, the Group has surplus cash balances and has no debt drawn. New Senior Secured Borrowing and Junior debt facilities have been agreed to part fund the Egypt acquisition. Under both Cairn's and the lenders assumptions, the Group has sufficient resources to maintain compliance with the financial covenant associated with the facilities in terms of a twelve-month forward-looking liquidity test.

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

The Group's UK producing assets were transferred to assets and liabilities held-for-sale in March 2021 and comparative information for the six months ended 30 June 2020 and for the year ended 31 December 2020 has been restated to present results as discontinued operations. Similarly, following the sale of the Group's interests in Senegal in December 2020, comparative results for the six months ended 30 June 2020 have been restated to disclose the Senegal results as discontinued operations. See note 6.1 for further information. There is no restatement of comparatives for assets and liabilities classified as held-for-sale.

Following a reorganisation of the Group's asset management, exploration assets are now held in two regional units, "Eastern" and "Western" which, together with the UK producing assets, form the three reportable segments disclosed in the segmental analysis note 4.1. Comparatives have been restated to reflect the revised operational structure. Exploration assets disclosures in note 2.1 have also been restated to reflect revised segments.

Section 2 – Oil and Gas Assets and Operations

2.1 Intangible Exploration/Appraisal Assets

	Eastern (restated) US$m	Western (restated) US$m	Other Cairn Energy Group (restated) US$m	**Total US$m**
Cost				
At 1 January 2020	25.3	113.5	143.1	281.9
Additions	17.1	59.2	1.8	78.1
Unsuccessful exploration costs	-	(67.4)	(0.2)	(67.6)
Disposal	-	(1.5)	-	(1.5)
At 30 June 2020	42.4	103.8	144.7	290.9
Additions	4.0	9.2	0.9	14.1
Unsuccessful exploration costs	(11.5)	0.2	0.1	(11.2)
Disposals	-	-	(145.7)	(145.7)
At 31 December 2020	34.9	113.2	-	148.1
Additions	7.1	12.8	-	**19.9**
Unsuccessful exploration costs	(15.1)	0.2	-	**(14.9)**
Transfer to assets held-for-sale	-	(36.0)	-	**(36.0)**
At 30 June 2021	**26.9**	**90.2**	**-**	**117.1**
Impairment				
At 1 January 2020	-	36.0	-	36.0
Impairment charge	-	-	144.7	144.7
At 30 June 2020	-	36.0	144.7	180.7
Reversal of impairment charge	-	-	(144.7)	(144.7)
At 31 December 2020	-	36.0	-	36.0
Transfer to assets held-for-sale	-	(36.0)	-	**(36.0)**
At 30 June 2021	**-**	**-**	**-**	**-**
Net book value				
At 30 June 2020	42.4	67.8	-	110.2
At 31 December 2020	34.9	77.2	-	112.1
At 30 June 2021	**26.9**	**90.2**	**-**	**117.1**

All additions to intangible exploration/appraisal assets were funded through cash and working capital.

Eastern
Additions in the period of US$7.1m include US$3.7m in Mauritania Block 7, US$0.5m in Israel, and US$2.9m in Côte d'Ivoire across operated Blocks CI-301 and CI-302 and non-operated block CI-520. The two operated licences expired in April 2021 and the final non-operated licence in August 2021, subsequently all US$15.1m of Côte d'Ivoire related intangible assets were charged to the Income Statement as unsuccessful exploration costs.

Western
Additions during the period of US$2.7m and US$2.6m were incurred on the Jaws (P2380 licence) and Diadem (P2379 licence) prospects respectively, with remaining additions of US$1.8m incurred across the rest of the UK portfolio licences.

Historic additions on Catcher of US$36.0m, which were fully impaired, were transferred out of intangible exploration/appraisal assets following the agreement to sell these assets; see note 6.2 for more information.

In Mexico additions for the period of US$4.6m were spread across Blocks 7 and 9. Cairn completed the simultaneous farm-down of a 15% interest in Block 9 and farm-in of an equivalent 15% interest in Block 10 in July 2021 effectively creating a swap, though with cash settlements for back costs incurred. See note 7.3.

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

2.1 Intangible Exploration/Appraisal Assets (continued)

Suriname additions in the period were US$1.1m and total costs of US$13.5m remain capitalised at the balance sheet date.

Impairment review
At 30 June 2021, Cairn reviewed its intangible exploration/appraisal assets for indicators of impairment, with no indicators of impairment being identified. No impairment tests were therefore performed.

2.2 Property, Plant & Equipment – Development/Producing Assets

	UK Producing Assets US$m	UK Producing right-of-use leased assets US$m	Senegal US$m	**Total US$m**
Cost				
At 1 January 2020	1,138.7	316.3	378.8	1,833.8
Additions	27.5	-	145.9	173.4
Increase in decommissioning asset	4.9	-	-	4.9
At 30 June 2020	1,171.1	316.3	524.7	2,012.1
Additions	8.1	-	77.3	85.4
Decrease in decommissioning asset	(1.5)	-	-	(1.5)
Disposals	-	-	(602.0)	(602.0)
At 31 December 2020	1,177.7	316.3	-	1,494.0
Transfer to assets held-for-sale	(1,177.7)	(316.3)	-	**(1,494.0)**
At 30 June 2021	**-**	**-**	**-**	**-**
Depletion, amortisation and impairment				
At 1 January 2020	350.3	78.2	-	428.5
Depletion and amortisation charges	81.9	25.6	-	107.5
Impairment charge	32.7	-	61.9	94.6
At 30 June 2020	464.9	103.8	61.9	630.6
Depletion and amortisation charges	84.8	23.4	-	108.2
Disposals	-	-	(61.9)	(61.9)
Reversal of impairment	(32.7)	-	-	(32.7)
At 31 December 2020	517.0	127.2	-	644.2
Depletion and amortisation	27.1	8.2	-	**35.3**
Transfer to assets held-for-sale	(544.1)	(135.4)	-	**(679.5)**
At 30 June 2021	**-**	**-**	**-**	**-**
Net book value				
At 30 June 2020	706.2	212.5	462.8	1,381.5
At 31 December 2020	660.7	189.1	-	849.8
At 30 June 2021	**-**	**-**	**-**	**-**

The UK producing assets were transferred to assets held-for-sale in March 2021, see note 6.2 for further information.

UK producing asset additions in the period were US$3.3m which was incurred after the transfer to held-for-sale. Working capital movements in the period were US$3.1m which resulted in a cash spend of US$6.4m in the six months to 30 June 2021.

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

2.3 Decommissioning Provisions

	Exploration well abandonment US$m	Development / Producing assets US$m	**Total US$m**
At 1 January 2020	1.4	139.8	141.2
Foreign exchange	(0.1)	(9.1)	(9.2)
Unwinding of discount	-	1.4	1.4
Provided in the period	0.7	4.9	5.6
At 30 June 2020	2.0	137.0	139.0
Foreign exchange	0.1	4.9	5.0
Unwinding of discount	-	2.9	2.9
Provided in the period	0.1	6.2	6.3
At 31 December 2020	2.2	151.0	153.2
Foreign exchange	-	2.8	**2.8**
Unwinding of discount	-	0.1	**0.1**
Transferred to liabilities held-for-sale	-	(153.9)	**(153.9)**
At 30 June 2021	**2.2**	**-**	**2.2**

The Kraken and Catcher decommissioning provisions were transferred to liabilities held-for-sale in March 2021. See note 6.2 for further information.

2.4 Capital Commitments

Oil and gas expenditure:	**At 30 June 2021 US$m**	At 30 June 2020 US$m	At 31 December 2020 US$m
Intangible exploration/appraisal assets	**49.9**	68.8	46.2
Property, plant & equipment – development/producing assets	**-**	910.0	7.9
Contracted for	**49.9**	978.8	54.1

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

Capital commitments as at 30 June 2021 are mostly made up of UK assets, the Jaws and Diadem prospects.

Refer to note 6.2 regarding commitments on development/producing assets at 30 June 2021. The commitments as at 30 June 2020 for development/producing assets included the Senegal purchase of the FPSO and other committed drilling and subsea installation costs. Cairn was released from these commitments on the completion of the sale of the Senegal assets.

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

3.1 Cash and Cash Equivalents

	At 30 June 2021 US$m	At 30 June 2020 US$m	At 31 December 2020 US$m
Cash at bank	**3.9**	6.6	4.3
Money market funds	**337.5**	77.5	565.3
	341.4	84.1	569.6

3.2 Lease Liabilities

Reconciliation of opening and closing liabilities to cash flow movements:	Six months ended 30 June 2021 US$m	Six months ended 30 June 2020 US$m	Year ended 31 December 2020 US$m
Opening lease liabilities	**240.0**	282.9	282.9
Lease payments disclosed in the Cash Flow Statement as financing cash flows:			
Total lease payments	**(43.1)**	(35.5)	(82.5)
Variable lease payments	**16.1**	5.9	23.0
Lease payments disclosed in cash flow statement	**(27.0)**	(29.6)	(59.5)
Lease payments made after transfer to liabilities held-for-sale	**17.3**	-	-
	(9.7)	(29.6)	(59.5)
Other movements in the Cash Flow Statement:			
Reimbursements received from lessors	**-**	3.0	4.0
Non-cash Movements			
Reimbursements due transferred from other receivables	**-**	(1.0)	(1.0)
Lease interest charges	**2.1**	6.9	13.3
Foreign exchange	**0.1**	(0.4)	0.3
Transferred to liabilities held-for-sale	**(227.6)**	-	-
Closing lease liabilities	**4.9**	261.8	240.0
Amounts due less than one year:			
Tangible development/producing assets – right-of-use assets	**-**	41.4	40.9
Other property, plant & equipment – right-of-use assets	**2.4**	2.0	2.3
	2.4	43.4	43.2
Amounts due greater than one year:			
Tangible development/producing assets – right-of-use assets	**-**	214.0	193.1
Other property, plant & equipment – right-of-use assets	**2.5**	4.4	3.7
	2.5	218.4	196.8
Total lease liabilities	**4.9**	261.8	240.0

Variable lease costs are disclosed in note 6.1. Amortisation charges prior to the transfer to held-for-sale on the UK producing right-of-use assets are shown in note 2.2. Depreciation charges on other right-of-use assets are disclosed in note 4.1. There are no material short-term leases or charges for leases of low-value assets.

The carrying value of right-of-use assets included in other property, plant & equipment is US$4.1m.

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

3.3 Trade and Other Receivables

	At 30 June 2021 US$m	At 30 June 2020 US$m	At 31 December 2020 US$m
Trade receivables	**0.1**	29.7	16.4
Other receivables	**9.5**	12.7	15.3
Prepayments	**12.5**	14.4	11.1
Joint operation receivables	**15.4**	52.1	31.8
	37.5	108.9	74.6

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

Reconciliation of opening and closing receivables to operating cash flow movements:	**30 June 2021 US$m**	30 June 2020 US$m	31 December 2020 US$m
Opening trade and other receivables	**74.6**	111.2	111.2
Closing trade and other receivables	**(37.5)**	(108.9)	(74.6)
Decrease in trade and other receivables	**37.1**	2.3	36.6
Increase in trade and other receivables classified as assets held-for-sale	**(48.4)**	(0.7)	(0.7)
(Increase)/Decrease in trade and other receivables including assets-held-for-sale	**(11.3)**	1.6	35.9
Foreign exchange	**0.5**	(4.5)	(2.2)
(Decrease)/Increase in joint operation receivables relating to investing activities for expenditure on oil and gas assets	**(6.5)**	3.4	9.2
Increase/(Decrease) in prepayments and other receivables relating to investing activities	**6.1**	(1.8)	(2.2)
(Decrease)/Increase in prepayments and other receivables relating to financing activities	**(7.3)**	1.3	-
Joint operation receivables derecognised on disposal of Senegal assets	**-**	-	(24.1)
(Increase)/Decrease in trade and other receivables movement recorded in operating cash flows	**(18.5)**	**-**	**16.6**

3.4 Trade and Other Payables

	At 30 June 2021 US$m	At 30 June 2020 US$m	At 31 December 2020 US$m
Trade payables	**0.9**	9.3	10.6
Deferred income – overlift	**-**	7.9	-
Other taxation and social security	**2.1**	1.0	1.6
Accruals and other payables	**15.0**	24.2	42.3
Joint operation payables	**4.4**	73.3	37.1
	22.4	115.7	91.6

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

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

3.4 Trade and Other Payables (continued)

Reconciliation of opening and closing payables to operating cash flow movements:	30 June 2021 US$m	30 June 2020 US$m	31 December 2020 US$m
Opening trade and other payables	**(91.6)**	(134.6)	(134.6)
Closing trade and other payables	**22.4**	115.7	91.6
Decrease in trade and other payables	**(69.2)**	(18.9)	(43.0)
Increase/(Decrease) in trade and other payables classified as liabilities held-for-sale	**31.9**	(0.4)	(0.4)
Decrease in trade and other payables including liabilities held-for-sale	**(37.3)**	(19.3)	(43.4)
Foreign exchange	**(0.1)**	3.8	(0.6)
Increase in trade payables relating to investing activities	**-**	-	(2.2)
Decrease in joint operation payables relating to investing activities	**11.0**	23.5	44.3
Decrease in accruals and other payables relating to investing activities	**6.5**	1.0	1.6
Decrease in accruals and other payables relating to financing activities	**0.9**	0.4	0.5
Joint operation payables derecognised on disposal of Senegal assets	**-**	-	11.4
(Decrease)/Increase in trade and other payables recorded in operating cash flows	**(19.0)**	**9.4**	**11.6**

3.5 Derivative Financial Instruments

	At 30 June 2021 US$m	At 30 June 2020 US$m	At 31 December 2020 US$m
Current assets			
Financial assets – hedge options maturing within one year	**-**	26.4	0.2
Current liabilities			
Financial liabilities – hedge options maturing within one year	**(6.8)**	-	(3.2)
	(6.8)	26.4	(3.0)

Hedging losses recorded during the first half of 2021 are included in the loss from discontinued operations, however the financial liabilities as at 30 June 2021 are not transferred to held-for-sale as they are not within the transaction perimeter. Cairn's commodity price hedging programme was put in place to protect debt capacity and support committed capital programmes. As that risk objective remains, the Group continues to apply hedge accounting.

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

3.5 Derivative Financial Instruments (continued)

Hedge options outstanding at the period end	**At 30 June 2021**	At 30 June 2020	At 31 December 2020
Volume of oil production hedged	**0.2mmbbls**	1.6 mmbls	1.0 mmbls
Weighted average sub-floor price of options	**-**	-	US$35.00
Weighted average floor price of options	**-**	US$60.00	US$48.27
Weighted average ceiling price of options	**-**	US$70.00	US$55.00
Weighted average strike price of swaps	**US$45.20**	US$54.50	US$45.20
Maturity dates	**Jul 2021 – Dec 2021**	Jul 2020 - Dec 2021	Jan 2021 - Dec 2021
Effects of hedge accounting on financial position and (loss)/profit for the period	**US$m**	US$m	US$m
Financial assets	**-**	26.4	0.2
Financial liabilities	**(6.8)**	-	(3.2)
Accruals and other payables – accrued option costs	**-**	(1.0)	(0.5)
Hedging (loss)/gain recorded in Other Comprehensive Income	**(13.3)**	58.7	52.2
Hedging loss/(gain) recycled to Income Statement	**10.0**	(33.7)	(56.0)
Hedging (loss)/gain recorded in Income Statement against revenue (note 6.1)	**(10.0)**	33.7	56.0

3.6 Deferred Revenue

	At 30 June 2021 US$m	At 30 June 2020 US$m	At 31 December 2020 US$m
Opening deferred revenue	**21.7**	35.6	35.6
Released during the period (note 6.1)	**(21.7)**	(8.9)	(13.9)
Closing deferred revenue	**-**	26.7	21.7
Amounts expected to be released within one year	**-**	5.0	4.8
Amounts expected to be released after one year	**-**	21.7	16.9
	-	26.7	21.7

Deferred revenue relates to the stream agreement with FlowStream entered into in 2017. In May 2021 Cairn bought out FlowStream's remaining entitlement to the stream for total consideration of US$22.7m, in advance of the proposed sale of the producing assets to Waldorf. Consequently, all remaining deferred revenue of US$21.7m has been credited to the Income Statement in the current period and is included within the loss from discontinued operations.

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

3.7 Loans and Borrowings

The Group's existing RBL facility was undrawn through the first six months and is expected to be cancelled on completion of the sale of the two UK producing assets.

Under the proposed acquisition of Shell's Western desert assets in Egypt, Cairn, together with Cheiron Oil & Gas, its consortium partner in the proposed acquisition, have entered into two additional facilities that may be used solely to fund the acquisition of the Egyptian business. As the acquisition has not yet completed, no amounts were drawn at the balance sheet date.

Acquisition RBL Facility

On 24 June 2021 Cairn (through its subsidiary undertaking Capricorn Egypt), entered into a secured Acquisition RBL Facility agreement with nine initial lenders, which makes available up to US$162.5m to Capricorn Egypt. The facility also has an accordion feature through which a further US$100.0m may be available to the company. The facility amount available will reduce on a semi-annual basis with the first reduction date falling on 12 months after the closing date of the transaction. The Acquisition RBL Facility is expected to mature on the date falling five years from the date the transaction is completed. Interest charged on the Acquisition RBL Facility will be equal to the aggregate LIBOR and an applicable margin.

Junior Debt Facility

Also, on 24 June 2021 the Consortium entered into a secured subordinated term loan facility agreement (the "Junior Debt Facility") with three lenders with US$40.0 million available to Capricorn Egypt. The facility amount available will reduce on an annual basis following a grace period of four years from financial close, to maturity on the date falling seven years after financial close of the proposed transaction. The interest rate charged is equal to LIBOR plus an applicable margin.

Section 4 – Income Statement Analysis

4.1 Segmental Analysis

Segmental Disclosures and Discontinued Operations

IFRS 8 ‘Operating Segments’ does not provide guidance as to whether segment disclosures apply to discontinued operations. During the current period, Cairn has presented segmental disclosures exclusive of the results of the discontinued operations, being the sale of Capricorn Norge AS and the disposal of the Group’s operations in Senegal, which both occurred in 2020, together with the forthcoming disposal of the UK producing assets. Comparative information has been restated accordingly, as explained in note 1.3.

The UK producing assets, formerly held within the UK segment, were classified as held-for-sale at 8 March 2021, see note 6.2.

Capital expenditure incurred subsequent to the transfer to held-for-sale is included within the relevant segment, as it has been reported to the Cairn Energy PLC Board, but is deducted within the group segment adjustment to agree back to balance sheet additions.

Operating segments

Cairn’s strategy is to create, add and realise value from a balanced portfolio within a self-funding business model. Each business unit is headed by a Regional Director (a Regional Director may be responsible for more than one business unit) and the Board monitors the results of each segment separately for the purposes of making decisions about resource allocation and performance assessment.

Effective 1 January 2021, changes were made to the Group’s business units following the disposal of Senegal and the proposed sale of the UK producing assets. During the first half of 2021, Cairn had three reportable operating segments: Eastern and Western exploration assets and UK producing assets. The Eastern operating segment includes costs associated with interests in Côte d’Ivoire, Mauritania and Israel. The Western segment holds continuing UK North Sea exploration interests, the costs of the Mexican exploration drilling programme and exploration activity in Suriname, the latter two both formerly within the LATAM segment.

The Other Cairn Energy Group segment exists to accumulate the activities and results of the Parent and other holding companies together with other unallocated expenditure and net assets/liabilities including amounts of a corporate nature not specifically attributable to any of the business units. The discontinued Senegal and Norway operations are presented in the Other Cairn Energy Group segment.

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

Section 4 – Income Statement Analysis (continued)

4.1 Segmental Analysis (continued)

The segment results for the six months ended 30 June 2021 are as follows:

	Eastern US$m	Western US$m	UK Producing Assets US$m	Other Cairn Energy Group US$m	Group adj for segments US$m	**Total US$m**
Revenue	-	-	256.6	0.5	(256.6)	**0.5**
Cost of sales	-	-	(81.5)	-	81.5	**-**
Depletion and amortisation charges	-	-	(35.3)	-	35.3	**-**
Gross profit	**-**	**-**	**139.8**	**0.5**	**(139.8)**	**0.5**
Pre-award costs	(0.1)	(1.6)	-	(6.9)	-	**(8.6)**
Unsuccessful exploration costs	(15.1)	0.2	-	-	-	**(14.9)**
Other operating income	-	-	-	0.2	-	**0.2**
Depreciation – purchased assets	-	-	-	(0.1)	-	**(0.1)**
Amortisation – right-of-use assets	-	(0.1)	-	(0.9)	-	**(1.0)**
Amortisation of other intangible assets	-	(0.2)	-	(2.1)	-	**(2.3)**
Other administrative expenses	-	(0.3)	-	(20.9)	-	**(21.2)**
Impairment of disposal group	-	-	(144.6)	-	144.6	**-**
Operating loss	**(15.2)**	**(2.0)**	**(4.8)**	**(30.2)**	**4.8**	**(47.4)**
Gain on fair value of financial assets	-	-	-	3.1	-	**3.1**
Interest income	-	-	-	0.1	-	**0.1**
Other finance income	-	0.1	-	5.7	-	**5.8**
Finance costs	-	-	(8.0)	(49.0)	8.0	**(49.0)**
Loss before taxation from continuing operations	**(15.2)**	**(1.9)**	**(12.8)**	**(70.3)**	**12.8**	**(87.4)**
Tax charge	-	-	-	-	-	**-**
Loss for the period from continuing operations	**(15.2)**	**(1.9)**	**(12.8)**	**(70.3)**	**12.8**	**(87.4)**
Loss from discontinued operations	-	-	-	-	(12.8)	**(12.8)**
Loss attributable to equity holders of the Parent	**(15.2)**	**(1.9)**	**(12.8)**	**(70.3)**	**-**	**(100.2)**
Balances as at 30 June 2021:						
Capital expenditure	**7.1**	**12.8**	**3.3**	**0.9**	**(3.6)**	**20.5**
Total assets	**28.9**	**114.7**	**724.9**	**370.5**	**(0.7)**	**1,238.3**
Total liabilities	**0.9**	**8.2**	**408.0**	**18.8**	**(0.7)**	**435.2**
Non-current assets	**26.9**	**91.4**	**-**	**7.9**	**-**	**126.2**

Section 4 – Income Statement Analysis (continued)

4.1 Segmental Analysis (continued)

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

	Eastern (restated) US$m	Western (restated) US$m	UK producing Assets (restated) US$m	Other Cairn Energy Group (restated) US$m	Group adj for segments US$m	Total (restated) US$m
Revenue	-	-	214.7	0.2	(214.7)	0.2
Cost of sales	-	-	(70.2)	-	70.2	-
Depletion and amortisation	-	-	(107.5)	-	107.5	-
Gross profit/(loss)	-	-	37.0	0.2	(37.0)	0.2
Pre-award costs	-	(2.0)	-	(3.5)	-	(5.5)
Unsuccessful exploration costs	-	(67.4)	-	(0.2)	-	(67.6)
Depreciation – Purchased assets	-	-	-	(0.1)	-	(0.1)
Amortisation – Right-of-use assets	-	(0.1)	-	(0.9)	-	(1.0)
Amortisation of other intangible assets	-	(0.1)	-	(1.6)	-	(1.7)
Other administrative expenses	-	(0.4)	-	(13.5)	-	(13.9)
Impairment of property, plant & equipment – development/producing assets	-	-	(32.7)	-	32.7	-
Operating (loss)/profit	-	(70.0)	4.3	(19.6)	(4.3)	(89.6)
Loss on fair value of financial assets	-	-	-	(1.8)	-	(1.8)
Interest income	-	-	-	0.7	-	0.7
Other finance income	-	0.7	10.7	9.6	(10.7)	10.3
Finance costs	-	-	(9.1)	(3.4)	9.1	(3.4)
(Loss)/Profit before taxation from continuing operations	-	(69.3)	5.9	(14.5)	(5.9)	(83.8)
Tax charge	-	(0.1)	-	-	-	(0.1)
(Loss)/Profit for the period from continuing operations	-	(69.4)	5.9	(14.5)	(5.9)	(83.9)
(Loss)/Profit from discontinued operations	-	-	-	(245.5)	5.9	(239.6)
(Loss)/Profit for the period attributable to equity holders of the Parent	-	(69.4)	5.9	(260.0)	-	(323.5)
Balances as at 30 June 2020:						
Capital expenditure	17.1	59.2	32.4	150.0	-	258.7
Total assets	45.4	100.1	1,001.9	589.7	(4.3)	1,732.8
Total liabilities	2.1	22.9	480.2	42.3	(4.3)	543.2
Non-current assets	42.4	69.5	918.7	473.4	-	1,504.0

Section 4 – Income Statement Analysis (continued)

4.1 Segmental Analysis (continued)

The segment results for the year ended 31 December 2020 were as follows:

	Eastern (restated) US$m	Western (restated) US$m	UK Producing Assets (restated) US$m	Other Cairn Energy Group (restated) US$m	Group adj for segments (restated) US$m	Total (restated) US$m
Revenue	-	-	394.3	0.4	(394.3)	0.4
Cost of sales	-	-	(115.5)	-	115.5	-
Depletion and amortisation	-	-	(215.7)	-	215.7	-
Gross profit	-	-	63.1	0.4	(63.1)	0.4
Pre-award costs	(1.6)	(3.7)	-	(6.8)	-	(12.1)
Unsuccessful exploration costs	(11.6)	(67.2)	-	-	-	(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	-	(0.3)	-	(33.7)	-	(34.0)
Operating (loss)/profit	(13.2)	(71.7)	63.1	(45.3)	(63.1)	(130.2)
Gain on fair value of financial assets	-	-	-	0.1	-	0.1
Interest income	-	-	-	0.8	-	0.8
Finance costs	-	(0.1)	(23.3)	(27.8)	23.3	(27.9)
(Loss)/Profit before taxation from continuing operations	(13.2)	(71.8)	39.8	(72.2)	(39.8)	(157.2)
Tax charge	-	(0.1)	-	-	-	(0.1)
(Loss)/Profit for the year from continuing operations	(13.2)	(71.9)	39.8	(72.2)	(39.8)	(157.3)
(Loss)/Profit from discontinued operations	-	-	-	(276.3)	39.8	(236.5)
(Loss)/Profit attributable to equity holders of the Parent	(13.2)	(71.9)	39.8	(348.5)	-	(393.8)
Balances as at 31 December 2020:						
Capital expenditure	21.2	68.4	39.0	236.2	(5.5)	359.3
Total assets	39.1	105.8	892.9	598.4	(0.9)	1,635.3
Total liabilities	3.2	9.9	461.1	36.4	(0.9)	509.7
Non-current assets	34.9	78.6	849.8	10.1	-	973.4

Section 4 – Income Statement Analysis (continued)

4.2 Finance Income

	Six months ended 30 June 2021 US$m	Six months ended 30 June 2020 (restated) US$m	Year ended 31 December 2020 (restated) US$m
Bank and other interest receivable	**0.1**	0.7	0.8
Exchange gain	**5.8**	10.3	-
	5.9	11.0	0.8

4.3 Finance Costs

	Six months ended 30 June 2021 US$m	Six months ended 30 June 2020 (restated) US$m	Year ended 31 December 2020 (restated) US$m
Loan interest and facility fee amortisation	**9.4**	3.1	6.4
Other finance charges	**0.1**	0.1	0.2
Lease interest	**0.1**	0.2	0.3
Exchange loss	**-**	-	21.0
Exchange loss recycled from Other Comprehensive Income	**39.4**	-	-
	49.0	3.4	27.9

Loan interest and facility fee amortisation costs include US$7.5m released from prepayments in respect to the Group's Reserve-Based Lending facility which is not expected to be drawn.

The foreign exchange loss of US$39.4m on the recycling of historic translation losses arose on the liquidation of a subsidiary in 2021. The subsidiary, which was GBP functional, previously held an interest in the Kraken asset during the exploration phase.

Section 4 – Income Statement Analysis (continued)

4.4 Earnings per Ordinary Share

Basic and diluted earnings per share are calculated using the following measures of loss:

	Six months ended 30 June 2021 US$m	Six months ended 30 June 2020 (restated) US$m	Year ended 31 December 2020 (restated) US$m
Loss and diluted loss after taxation from continuing operations	**(87.4)**	(83.9)	(157.3)
Loss and diluted loss attributable to equity holders of the Parent	**(100.2)**	(323.5)	(393.8)

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

	Six months ended 30 June 2021 '000	Six months ended 30 June 2020 (restated) '000	Year ended 31 December 2020 '000
Weighted average number of shares	**504,742**	589,780	589,782
Less weighted average shares held by the ESOP and SIP Trusts	**(6,653)**	(7,092)	(7,041)
Basic and diluted weighted average number of shares	**498,089**	582,688	582,741
Potentially issuable shares not included above:			
LTIP awards	**29,954**	18,961	25,818
Approved and unapproved plans	**2,523**	3,074	2,845
Employee share awards	**5,497**	4,031	4,620
Number of potentially issuable shares[1]	**37,974**	26,066	33,283

[1] potentially issuable shares were all anti-dilutive due to the loss for each of the three periods presented.

The weighted average number of shares used in the calculations of earnings per share shown above has been adjusted to reflect the consolidation of shares which took place in January 2021. The June 2020 weighted average number of shares has been restated accordingly.

Section 5 – Taxation

5.1 Deferred Tax (Liabilities)/Assets

Reconciliation of movement in deferred tax (liabilities)/assets:

	Temporary difference in respect of non-current assets US$m	Losses US$m	Other temporary differences US$m	**Total US$m**
Deferred tax (liabilities)/assets				
At 1 January 2020	(303.6)	232.0	71.6	-
Deferred tax credit/(charge) through the Income Statement	28.9	(31.3)	2.4	-
At 30 June 2020	(274.7)	200.7	74.0	-
Deferred tax credit/(charge) through the Income Statement	24.4	(9.2)	(15.2)	-
At 31 December 2020	(250.3)	191.5	58.8	-
Deferred tax credit/(charge) through the Income Statement	238.4	(179.6)	(58.8)	-
At 30 June 2021	**(11.9)**	**11.9**	**-**	**-**

The deferred tax credit on the temporary difference in respect of non-current assets of US$238.4m represents the reversal of deferred tax liabilities on UK producing assets reflecting expected recovery of the assets through sale rather than continued use. The release of the deferred tax liability results in the reversal of offsetting deferred tax assets from tax losses and other temporary differences, leaving no net tax charge or credit for the period.

Temporary differences as at 30 June 2021 relate to deferred tax liabilities on the Group's remaining exploration assets which are also offset by deferred tax assets through available tax losses.

Section 6 – Discontinued Operations

6.1 Profit/(Loss) from Discontinued Operations

Sale of Cairn's interest in the Catcher and Kraken Producing Assets ("UK Producing Assets")
On 8 March 2021, Cairn agreed to sell its interests in the UK Catcher and Kraken producing assets to Waldorf Production Limited, subject to approval from joint operation partners and relevant authorities. Assets and liabilities within the transaction perimeter have been reclassified as held-for-sale as at that date. Comparative information for financial performance of the UK North Sea producing operations has been restated as discontinued operations for the six-month period ended 30 June 2020 and for the year ended 31 December 2020.

Consideration under the agreement is an initial cash consideration of US$425.0m, with further consideration of US$35.0m due within two to four years, plus additional contingent consideration dependent principally on oil prices from 2021 to the end of 2025, which at 30 June 2021 had a risk-weighted fair value of US$140.6m. 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 30 June 2021, the interim period and working capital adjustments reduce the consideration due on completion by US$272.6m.

Impairment tests have been conducted on the disposal group as at the date of reclassification as held-for-sale and again at the reporting date. The total impairment charge against the carrying value of the disposal group to 30 June 2021 was US$144.6m.

Sale of Capricorn Norge AS ("Norway")
Cairn's sale of Capricorn Norge AS to Sval Energi AS completed on 28 February 2020.

The financial performance of the Norwegian subsidiary was presented as discontinued operations in the Financial Statements for the period ended 30 June 2020 and the year ended 31 December 2020.

Sale of Working Interests in Senegal
Cairn disposed of its entire 40% working interest in its Senegal exploration and development assets in December 2020. Comparative information for financial performance of the Senegal operations has been restated as discontinued operations for the six month period ended 30 June 2020. The Financial Statements for the year ended 31 December 2020 presented the Senegal operations as discontinued operations.

The financial performance of the discontinued operations is expanded in the tables below for the periods ended 30 June 2021, 30 June 2020 and 31 December 2020 respectively.

	UK Producing Assets US$m	**Six months ended 30 June 2021 US$m**
Revenue	256.6	**256.6**
Cost of sales	(81.5)	**(81.5)**
Depletion and amortisation	(35.3)	**(35.3)**
Gross Profit	**139.8**	**139.8**
Impairment of disposal group	(144.6)	**(144.6)**
Operating loss	**(4.8)**	**(4.8)**
Finance costs	(8.0)	**(8.0)**
Loss before tax from discontinued operations	**(12.8)**	**(12.8)**
Taxation	-	**-**
Loss after tax from discontinued operations	**(12.8)**	**(12.8)**

Section 6 – Discontinued Operations (continued)

6.1 Profit/(Loss) from Discontinued Operations (continued)

	UK Producing Assets (restated) US$m	Norway[1] US$m	Senegal (restated) US$m	Six months ended 30 June 2020 US$m
Revenue	214.7	-	-	214.7
Cost of sales	(70.2)	-	-	(70.2)
Depletion and amortisation	(107.5)	-	-	(107.5)
Gross Profit	37.0	-	-	37.0
Pre-award costs	-	(1.5)	-	(1.5)
Administrative expenses	-	(0.3)	(0.2)	(0.5)
Impairment of intangible exploration/appraisal assets	-	-	(144.7)	(144.7)
Impairment of property, plant & equipment – development/producing assets	(32.7)	-	(61.9)	(94.6)
Operating profit/(loss)	4.3	(1.8)	(206.8)	(204.3)
Finance income	10.7	-	0.3	11.0
Finance costs	(9.1)	(0.3)	-	(9.4)
Profit/(Loss) before taxation from discontinued operations	5.9	(2.1)	(206.5)	(202.7)
Taxation				
Current tax credit	-	2.4	-	2.4
Deferred tax credit	-	0.2	-	0.2
Profit/(Loss) after tax from discontinued operations prior to disposal	5.9	0.5	(206.5)	(200.1)
Loss on disposal of discontinued operations	-	(39.5)	-	(39.5)
Profit/(Loss) from discontinued operations	5.9	(39.0)	(206.5)	(239.6)

[1] Period ended 28 February 2020

Section 6 – Discontinued Operations (continued)

6.1 Profit/(Loss) from Discontinued Operations (continued)

	UK Producing Assets (restated) US$m	Norway[1] US$m	Senegal[2] US$m	Year ended 31 December 2020 US$m
Revenue	394.3	-	-	394.3
Cost of sales	(115.5)	-	-	(115.5)
Depletion and amortisation	(215.7)	-	-	(215.7)
Gross Profit	63.1	-	-	63.1
Pre-award costs	-	(1.5)	-	(1.5)
Administrative expenses	-	(0.3)	-	(0.3)
Operating profit/(loss)	63.1	(1.8)	-	61.3
Finance costs	(23.3)	(0.3)	-	(23.6)
Profit/(Loss) before taxation from discontinued operations	39.8	(2.1)	-	37.7
Taxation				
Current tax credit	-	2.4	-	2.4
Deferred tax credit	-	0.2	-	0.2
Profit after tax from discontinued operations prior to disposal	39.8	0.5	-	40.3
Loss on disposal of discontinued operations	-	(39.5)	(237.3)	(276.8)
Profit/(Loss) from discontinued operations	39.8	(39.0)	(237.3)	(236.5)

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

Section 6 – Discontinued Operations (continued)

6.1 Profit/(Loss) from Discontinued Operations (continued)

Gross Profit: Revenue and Cost of Sales

	Six months ended 30 June 2021 US$m	Six months ended 30 June 2020 US$m	Year ended 31 December 2020 US$m
Oil sales	**244.8**	171.6	323.7
Gas sales	**0.1**	0.5	0.8
(Loss)/Gain on hedge options designated for hedge accounting (note 3.5)	**(10.0)**	33.7	56.0
Loss on hedge options not designated for hedge accounting	**-**	-	(0.1)
Release of deferred revenue (note 3.6)	**21.7**	8.9	13.9
Revenue from oil and gas sales	**256.6**	214.7	394.3
Production costs	**(56.4)**	(33.5)	(75.9)
Oil inventory and underlift adjustment	**(9.0)**	(30.8)	(16.6)
Variable lease charges	**(16.1)**	(5.9)	(23.0)
Cost of sales	**(81.5)**	(70.2)	(115.5)
Depletion and amortisation (note 2.2)	**(35.3)**	(107.5)	(215.7)
Gross profit	**139.8**	37.0	63.1

During the six months to 30 June 2021 the Group averaged ~20,200 boepd (30 June 2020: ~23,000 boepd; 31 December 2020: ~21,000 boepd). Average sale prices increased to US$66.90/boe (30 June 2020: US$39.89/boe; 31 December 2020: US$42.23/boe).

The improving oil price realised in the period to date reflects the recovery in oil prices in the first six months of 2021 compared with the oil prices impacted by the COVID-19 pandemic during 2020. The higher average oil price in the first half of 2021 has led to realised hedging losses compared with the significant hedging gains of 2020.

6.2 Assets and Liabilities Held-for-Sale

	Transferred to held-for-sale US$m	Impairment of disposal group at date of transfer US$m	Movement US$m	Impairment of disposal group at 30 June 2021 US$m	**At 30 June 2021 US$m**
Assets held-for-sale					
Property, plant & equipment – development/producing assets	814.5	(56.0)	3.3	(88.6)	**673.2**
Inventory	15.0	-	(11.7)	-	**3.3**
Trade and other receivables	48.7	-	(0.3)	-	**48.4**
	878.2	**(56.0)**	**(8.7)**	**(88.6)**	**724.9**
Liabilities held-for-sale					
Lease liabilities	227.6	-	(13.5)	-	**214.1**
Trade and other payables	29.8	-	2.1	-	**31.9**
Provisions - decommissioning	153.9	-	(1.0)	-	**152.9**
	411.3	**-**	**(12.4)**	**-**	**398.9**

Section 6 – Discontinued Operations (continued)

6.2 Assets and Liabilities Held-for-Sale (continued)

Following the agreement entered into in March 2021 to sell the Kraken and Catcher UK North Sea producing assets to Waldorf Production Limited, the UK North Sea assets and associated liabilities were reclassified as held-for-sale, forming a single disposal group. 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 (falling within Level 2 of the fair value hierarchy), resulting in an impairment of US$56.0m, which was allocated to property, plant & equipment – development/producing assets, charged to the Income Statement. At the balance sheet date, as the carrying value exceeded the fair value less costs of disposal of US$326.0m, a further impairment of US$88.6m was recorded, which was also allocated to property, plant & equipment – development/producing assets.

The eventual disposal consideration will be adjusted to account for revenue received, cash calls and other working capital adjustments in the period to the transfer date.

At 30 June 2021 Cairn was committed to US$12.5m in respect of the Kraken and Catcher held-for-sale assets. The residual amount remaining at the transfer date will be transferred to the purchaser on completion of the sale.

6.3 Cash Flow Information for Discontinued Operations

	UK Producing assets US$m	Norway US$m	Senegal US$m	**Six months ended 30 June 2021 US$m**
Net cash flows from operating activities	132.4	-	-	**132.4**
Net cash flows used in investing activities	(6.4)	-	-	**(6.4)**
Net cash flows used in financing activities	(26.3)	-	-	**(26.3)**
Net increase in cash and cash equivalents	**99.7**	**-**	**-**	**99.7**

	UK Producing assets US$m	Norway[1] US$m	Senegal US$m	Six months ended 30 June 2020 US$m
Net cash flows from/(used in) operating activities	123.0	1.5	(0.2)	124.3
Net cash flows used in investing activities	(21.4)	(6.4)	(148.6)	(176.4)
Net cash flows used in financing activities	(26.4)	(0.4)	-	(26.8)
Net increase/(decrease) in cash and cash equivalents	75.2	(5.3)	(148.8)	(78.9)

	UK Producing assets US$m	Norway[1] US$m	Senegal[2] US$m	Year ended 31 December 2020 US$m
Net cash flows from/(used in) operating activities	290.1	1.5	(0.2)	291.4
Net cash flows (used in)/from investing activities	(32.2)	(6.4)	284.5	245.9
Net cash flows used in financing activities	(55.0)	(0.4)	(5.4)	(60.8)
Net increase/(decrease) in cash and cash equivalents	202.9	(5.3)	278.9	476.5

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

Section 7 – Share Capital, Return of Cash to Shareholders and Post Balance Sheet Events

7.1 Share Capital

	Number 231/169p ordinary '000	Number 21/13p ordinary '000	231/169p ordinary US$m	21/13p ordinary US$m
Allotted, issued and fully paid ordinary shares				
At 1 January 2020 and 30 June 2020	589,553	-	12.6	-
Issued and allotted for employee share options	165	-	-	-
At 31 December 2020	589,718	-	12.6	-
Issued and allotted for employee share options pre consolidation	**99**	**-**	**-**	**-**
Consolidation of shares	**(589,817)**	**499,076**	**(12.6)**	**12.6**
Issued and allotted for employee share options post consolidation	**-**	**192**	**-**	**-**
At 30 June 2021	**-**	**499,268**	**-**	**12.6**

A share consolidation completed on 11 January 2021 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.

7.2 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 £188.0m. US$250.0m of the proceeds from the sale of Senegal assets were converted to £ in December 2020 and the return was paid to shareholders on 25 January 2021. The total return to shareholders, after exchange differences from the date of the conversion from US$ to £ and associated costs, was US$257.2m.

7.3 Post Balance Sheet Events

Mexico Farm-in/Farm-down and subsequent oil discovery
In July 2021, Cairn completed the simultaneous farm-down of a 15% interest in Block 9 and farm-in of an equivalent 15% interest in Block 10, effectively creating a swap. On completion of the transactions, Cairn settled US$17.8m for interim period adjustments on Block 10 and received US$23.7m in relation to interim period adjustments on Block 9. Additional capital commitments of US$10.7m would have been recorded on Block 10 had the transactions concluded by 30 June.

On 2 August 2021, the operator announced an oil find on the Sayulita Exploration Prospect in Block 10. According to preliminary estimates the new find may contain between 150 and 200Mboe (gross) in place. The Sayulita discovery is located 15 km away from the previous Saasken oil discovery that straddles Blocks 9 and 10 and will be appraised toward year-end.

Arbitration Award Settlement Due from the Government of India
Updates on progress to resolve the India Tax dispute following the December 2020 arbitration award in Cairn's favour are provided in the Financial Review.

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

CNH – National Hydrocarbons Commission of Mexico

FlowStream - FlowStream Thruer Ltd

FPSO - Floating Production Storage and Offloading facility

GAAP - Generally Accepted Accounting Principles

IFRS - International Financial Reporting Standards

INR – Indian rupee

JV - Joint Venture

Kboepd – thousand barrels of oil equivalent per day

LATAM - Latin America

M - Million

Mmbbls - Million Barrels of Oil

Mmboe - Million barrels of oil equivalent

OGA – UK Oil & Gas Authority

RBL - Reserves Based Lending (facility)

US$ - US dollar

Waldorf - Waldorf Production UK Limited

WI - Working Interest