Discovering Hidden Value

Cairn Energy PLC
Half-yearly Report 2013

Introduction

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Highlights

Exploration programme offering material growth potential

Frontier Exploration

- Frontier exploration drilling programme, commencing September 2013 with two rigs contracted
- Exploration programme target, subject to necessary approvals, increased to >4.0 billion (bn) barrels of oil equivalent (boe) of mean unrisked gross prospective resource and comprises:
  - Two operated exploration wells offshore Morocco (Q3 2013/ H1 2014)
  - Two proposed operated exploration wells offshore Senegal (H1 2014)
  - One operated appraisal well offshore west of Ireland (H1 2014)
  - Joint venture decision in H2 2013 on an operated exploration well offshore Greenland (H2 2014)
- Senegal farm-out of 25% interest in three offshore blocks to ConocoPhillips, subject to necessary regulatory approvals (Cairn (Operator) 40% Working Interest (WI))
- Mauritania farm-in to offshore block C19, subject to Government approval (Cairn: 35% WI)

Mature Basin Exploration and Developments

- UK and Norway acreage swaps and portfolio rationalisation
  - Divestment of Cairn's 6% WI in the Mariner Field and surrounding acreage in UK North Sea
  - Acquisition of 20% interest in two licences, PL378/378B, close to the Skarfjell discovery
- Second Skarfjell appraisal well Q3 2013
- Kraken and Catcher field development plans (FDPs) on track

Funding

- Group net cash at 30 June 2013 of US$1.5bn
- ~10% residual shareholding in Cairn India Limited (CIL) valued at US$1bn 30 June 2013

About Cairn

Cairn is one of Europe's leading independent oil and gas exploration companies.

Cairn has been active rebuilding and repositioning the business with interests now in Senegal, Republic of Ireland, Mauritania, Morocco, Greenland, Spain and the North Sea. With two rigs contracted for the 2013/14 exploration programme, Cairn is now ready to embark on a busy operational period with a programme of operated high impact wells over the next 12 months.

62 prospects

Our current prospect and lead inventory comprises 62 prospects and 144 leads.

>4.0bn boe

Targetting >4.0bn boe of mean unrisked gross prospective resource within a total 'Yet To Find' potential in excess of 10 billion boe.

Cairn commences a 12 month multi-well high impact frontier exploration programme in September that will offer shareholders sustained exposure to material growth potential. The drilling programme targets a combined gross unrisked resource of >4 billion boe, across a variety of plays and countries with follow-on potential.

The programme will be delivered against a backdrop of balance sheet strength and an established North Sea exploration, appraisal and development position.

Simon Thomson
Chief Executive

Corporate Overview

Frontier exploration campaign begins

Cairn's growth strategy is focused on material frontier exploration in the new and emerging plays along the North Atlantic margin, supplemented and balanced by a more mature North Sea portfolio. Our current prospect and lead inventory comprises 62 prospects and 144 leads identified in both the frontier basins (Morocco, Senegal, Greenland, Ireland, Mauritania and Spain) and the more mature UK and Norwegian North Sea and Norwegian Continental Shelf.

In line with the strategy of balancing material frontier exploration with financial commitments, Cairn is pleased to be joined in Senegal by ConocoPhillips. This transaction also reflects our objective to work with significant industry partners in frontier acreage, a further example of which is in the partnership with Statoil ASA in the Pitu block in Greenland. Cairn remains the exploration operator in Senegal but ConocoPhillips, similarly to the arrangement with Statoil in Greenland, have the option to become the development operator in the event of finding commercial volumes of hydrocarbons.

Cairn has been active rebuilding and repositioning the business with interests acquired in Senegal, the Republic of Ireland and Mauritania as well as contracting two rigs for the 2013/14 exploration programme. With these building blocks in place, Cairn is now ready to embark on a busy operational period with a programme of operated high impact wells over the next 12 months set against a backdrop of non-operated North Sea activity. The Kraken and Catcher development projects are on track. In accordance with International Financial Reporting Standards, Cairn has re-classified its interests in the Mariner field (a non-core asset) to assets held-for-sale and has today announced the agreement to sell this asset.

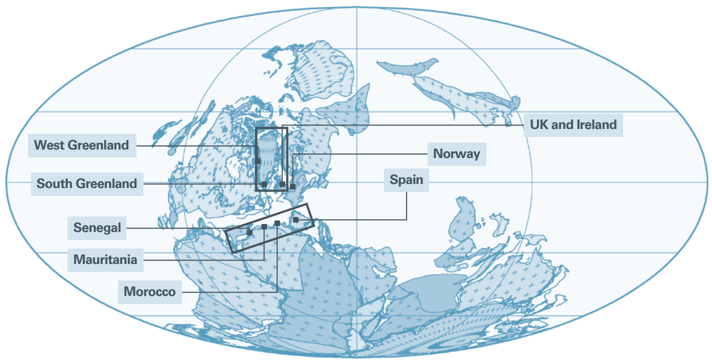
The planned operated exploration and appraisal and potential high impact drilling programme, following the addition of the Senegal acreage, will target >4.0 billion boe of mean unrisked gross prospective resource within a total 'Yet To Find' potential in excess of 10 billion boe. Subject to receiving all required approvals and authorisations, drilling operations are planned to commence in September with two wells offshore Morocco, followed by two offshore wells in Senegal, one off the west coast of Ireland and a well planned in Greenland for H2 2014.

In the North Sea, the Bonneville exploration well and its side track on the Catcher licence in the UK North Sea discovered oil in excellent quality reservoirs. Following initial appraisal, a further Skarfjell appraisal well will be drilled in H2 2013 in Norway, with Cairn's current gross resource range for that discovery between 83 million barrels of oil (mmbbls) (98mmboe) and 163mmbbls (192mmboe). Elsewhere in the North Sea, drilling operations concluded on the Frode and Timon wells, where no hydrocarbons were encountered and the wells were plugged and abandoned. Cairn has entered into a number of North Sea asset exchanges to further optimise the North Sea exploration portfolio.

Corporate Overview Continued

North Atlantic Margin

Plate reconstruction
Middle Jurassic
PLATES/UTIG, 2009.



The Company uses its financial strength, plus the commercial and technical skills of its people, to build strategic positions which provide exploration drilling opportunities over the longer term. Cairn offers shareholders continued exposure to material organic growth potential through drilling success sustained initially from the Company's balance sheet strength and, over time, from the free cash flow from the Kraken and Catcher developments.

The Company remains in a strong position financially with Group net cash at 30 June 2013 of US$1.5bn and an ~10% residual shareholding in CIL valued at US$1bn at 30 June 2013. There was a reduction in the value of our stake in Cairn India at the balance sheet date; however, there has been a recovery in the share price since that time.

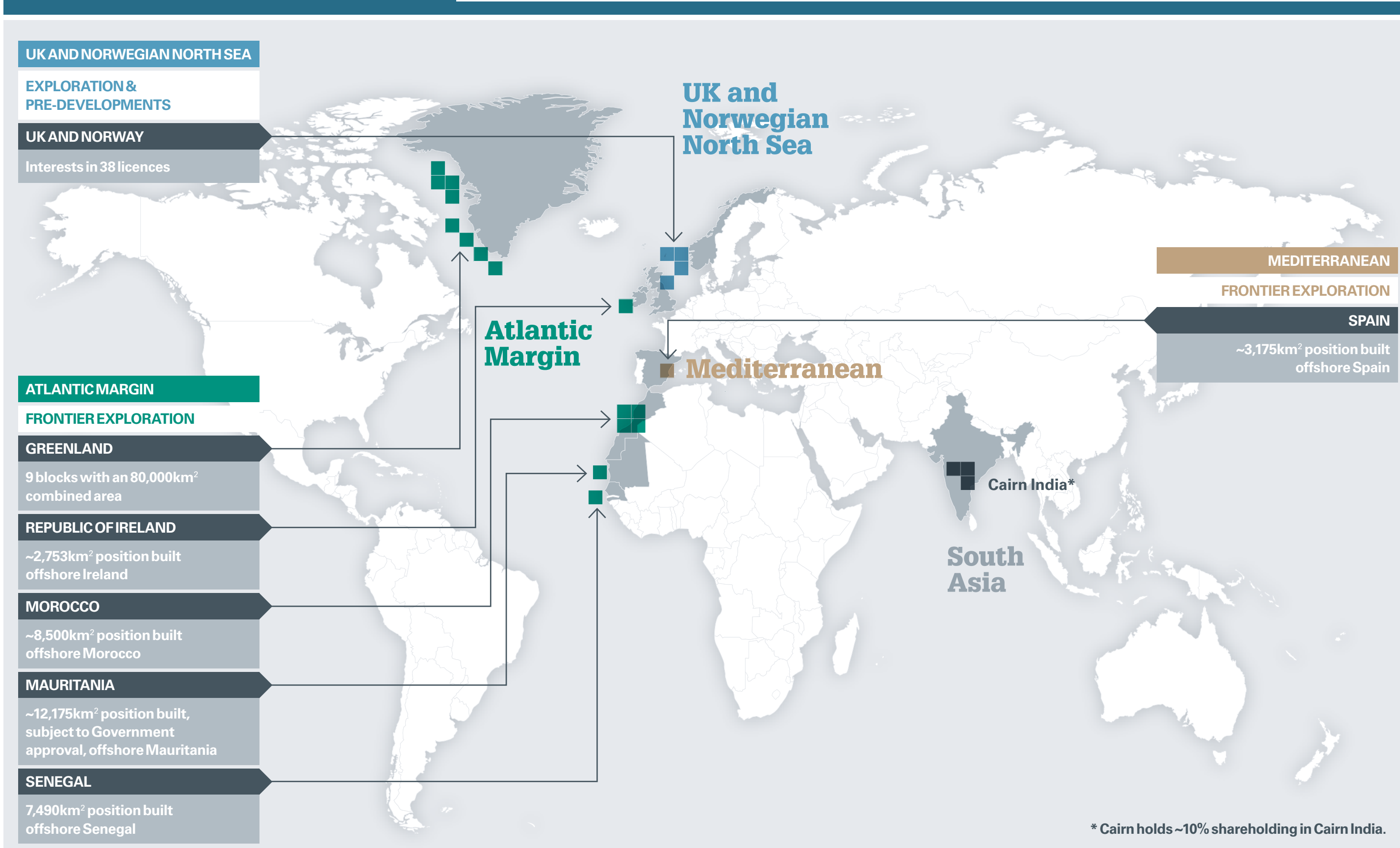
Group Booked 2P Reserves

The Group's proven plus probable (2P) reserves as at 30 June 2013 on a net working interest basis are 16mmboe, primarily due to interests in the Mariner offshore field (15.9mmboe) and one further onshore UK field (0.1mmboe).

People

We were pleased to announce that Ian Tyler was appointed as an independent non-executive director of the Company and also as a member of the audit and remuneration committees. Mr Tyler is currently non-executive chairman of Al Noor Hospitals Group plc, a non-executive director and chairman of the audit committee of Cable & Wireless Communications plc and a non-executive director of BAE Systems plc. Mr Tyler was previously Chief Executive of Balfour Beatty PLC, a post he held from 2005 until March 2013.

Cairn's Areas of Focus



* Cairn holds ~10% shareholding in Cairn India.

Operational Review

Cairn's exploration focus includes frontier basins along the Atlantic Margin and in the Mediterranean, as well as new plays within the more mature UK and Norwegian North Sea and Norwegian Continental Shelf. Cairn's organisational structure combines country-based operating segments into three regional units: the Mediterranean and North Africa (Atlantic Margin); the North Atlantic Margin; and the UK and Norway.

Frontier Exploration – Atlantic Margin

Exploration drilling operations are due to commence in September 2013 using the 'Cajun Express', a 5th generation, semi-submersible drilling unit. As with all its operations, Cairn is focused on safety and is working with the various authorities and other stakeholders to ensure that it understands the communities where it operates and to provide assurance that it will operate safely and efficiently with due care and respect for the environment.

Morocco

The first well in the exploration programme targets a slope fan prospect (A) on the Foum Draa block offshore Morocco (Cairn 50% WI, Operator). The primary target for the 'A' prospect is a Late Jurassic/Early Cretaceous deep water turbidite fan which will be the oldest objectives penetrated by any deep water well along this margin. The gross mean unrisked prospective resource of the 3D seismic defined 'A' prospect is estimated to be approximately 142mmbbls. A number of potential follow-up exploration prospects have also been mapped on the block. The second well in the sequence is planned, subject to the necessary approvals, on the Juby Maritime III block (Cairn 37.5% WI, Operator) targeting a Middle Jurassic carbonate prospect some 1,000 metres (m) below the 1969 Cap Juby heavy oil discovery in the Upper Jurassic. The prospect is defined by 3D seismic, but complexities with the velocity model and the variable nature of carbonate reservoirs mean there is a wide volumetric range.

A second and newly acquired 3D seismic survey (680km²) over a separate carbonate prospect in Juby Maritime II is currently being processed and final migrated data is scheduled to be ready for interpretation in September 2013.

Senegal

In March, Cairn farmed into three blocks – Rufisque, Sangomar and Sangomar Deep – offshore Senegal held by FAR Limited (FAR) and Petrosen, the Senegal National Oil Company. In July, Cairn announced that, subject to Government of Senegal approval, ConocoPhillips will farm-in to Cairn's interests in the three contiguous blocks. In a separate transaction, ConocoPhillips also farmed in to some of FAR's interest in the blocks. Following these transactions, the WI across these three blocks will be: Cairn (Operator) 40% WI, ConocoPhillips 35% WI; FAR Ltd 15% WI with Petrosen, the Senegal National Oil Company, retaining a 10% WI in the exploration phase. In the event of a commercial success, ConocoPhillips will have the option to operate the future development of the resource.

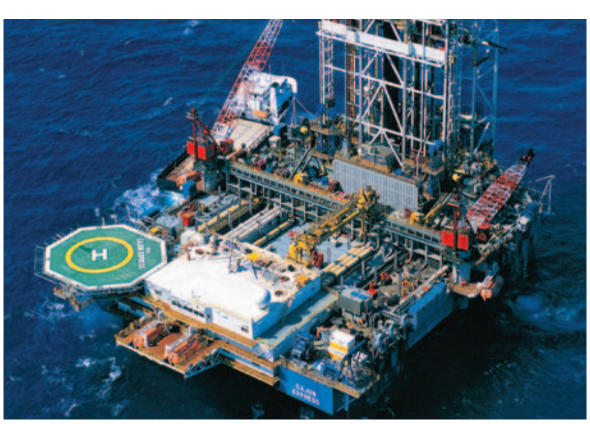
The three blocks cover an area of >7,000km² from near shore to deep water exploration over the shelf, slope and basin floor of the Senegalese portion of the productive Mauritania-Senegal-Guinea-Bissau Basin. The acreage is covered by a 2,050km² 3D seismic survey and a number of play types, leads and prospects have been identified.

Cairn estimates the block-wide 'Yet To Find' resource is currently more than 3 billion barrels.

Subject to the necessary approvals, the proposed two well exploration programme offshore Senegal is targeting to commence in Q1 2014 after operations are completed in Morocco.

One exploration well will be located on the North Fan prospect in 1,500m water depth. It will target multiple stacked structural and stratigraphic closures interpreted as trapping a variety of potential clastic and carbonate reservoirs, the two largest of which Cairn currently estimates to have gross mean unrisked prospective resource of 282mmbbls and 535mmbbls respectively.

The other exploration well is planned to be drilled on a shelf edge prospect in 1,100m of water. This dual objective prospect targets Cretaceous clastics and deeper karstified and fractured Lower Cretaceous shelf carbonates. The prospect is estimated by Cairn to have two targets with a gross mean unrisked prospective resource of 182mmbbls and 256mmbbls respectively.



Far left:

Cajun Express
Exploration drilling operations are due to commence in September 2013 offshore Morocco using the 'Cajun Express', a 5th generation, semi-submersible drilling unit.

Left:

Dakar Port, Senegal
Subject to the necessary approvals, the proposed two well exploration programme offshore Senegal is targeting to commence in Q1 2014 after operations are completed in Morocco.

Operational Review Continued

Frontier Exploration – Atlantic Margin Continued

Greenland

Cairn is proposing to drill the Pitu prospect, which is covered by 3D seismic, after Senegal and commencing in H2 2014. A joint venture drilling decision will be taken on the proposed well in H2 2013.

A joint Social Baseline Study in Baffin Bay between the operators Maersk Oil, Shell, ConocoPhillips and Cairn has been completed. The information gathered is providing Cairn with valuable knowledge prior to commencing its initial public consultation meetings with communities and stakeholders relevant to the proposed 2014 exploration drilling campaign on the Pitu block.

Cairn estimates the gross mean unrisked prospective resource of the Pitu prospect to be 3.15bn boe.

Ireland

In H1 2013, Cairn farmed in as Operator with a 38% WI to two exploration licences (FEL 2/04 and FEL 4/08) and one licensing option (LO 11/2) totalling 2,753km² in the Porcupine Basin offshore west of Ireland.

Cairn and its JV partners Chrysaor (26% WI), Providence Resources (32% WI) and SOSINA Exploration Ltd (SOSINA) (4% WI) have also secured a drilling rig, the Blackford Dolphin, for the planned Spanish Point appraisal well located in licence FEL 2/04 in a water depth of ~460m.

The 1981 Spanish Point discovery well, drilled by Phillips, intersected a bounding fault but encountered a relatively modest quantity of gas and condensate in tight and partially cut out reservoirs on the upthrown side of the fault.

Cairn estimates the gross 2C contingent resource of the Spanish Point field to be 410 Bcf of gas and 32mmbbls of condensate, estimates which are independently corroborated by third parties. Subsequent 3D seismic has highlighted the potential for a significant closure and a thicker potential reservoir section.

The Blackford Dolphin rig will be mobilised to begin operations on the Spanish Point appraisal/exploration well in Q2 2014, subject to obtaining the necessary approvals.

Mauritania

Cairn farmed in as non-operator (35% WI) to block C19, offshore Mauritania, West Africa in August 2013. This acreage, once the new 3,500km² 3D seismic is interpreted and mapped, is expected to provide material prospects suitable for future exploration drilling campaigns.

The block, which is currently operated by Chariot Oil & Gas (Chariot: 90%) and the National Oil Company, 'Société Mauritanienne des Hydrocarbures' (SMH) (10%) comprises 12,175km² in water depths ranging from shallow shelf to over 2,000m. The block lies just to the north of existing discoveries in Mauritania and contains the Tertiary and Cretaceous deep water fan plays proven further south along the West African margin. The two wells previously drilled in the shallow water areas of the block both encountered reservoir intervals with oil shows and point to the oil migration potential from the south.

Under the terms of the farm-in agreement, which is subject to Government of Mauritania approval, Cairn will pay Chariot approximately US$26m for seismic and other back costs. Thereafter, exploration costs will be apportioned Cairn 38.89% (WI 35%), Chariot 61.11% (WI 55%) and SMH 0% (WI 10%).

If, before the end of the first phase of the licence (15 June 2015), Cairn were to increase its interest to more than 50%, then Chariot will support Cairn's application for operatorship of the block.

Far left:

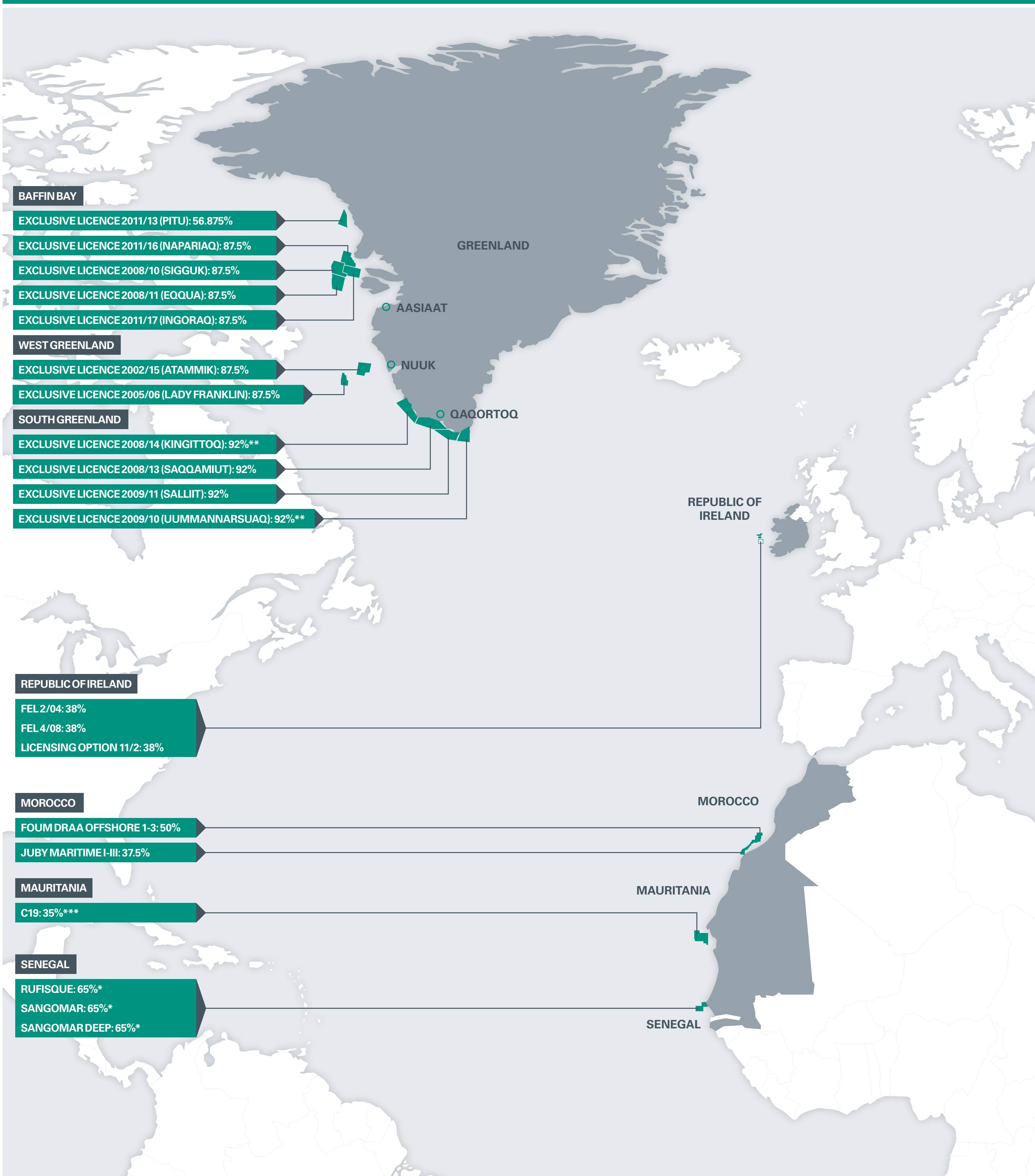
Blackford Dolphin
The Blackford Dolphin rig will be mobilised to begin operations on the Spanish Point appraisal/exploration well offshore Ireland in Q2 2014, subject to obtaining the necessary approvals.

Left:

Greenland
Cairn is proposing to drill the Pitu prospect, which is covered by 3D seismic, after completing operations in H2 2014.

Operational Review Continued

Atlantic Margin – Frontier Exploration



* Cairn has agreed to farm down 25% subject to government approval.
** Licences in the process of being relinquished.
*** Subject to Government of Mauritania approval.

Operational Review Continued

Frontier Exploration – Mediterranean

Cairn holds licences covering approximately 3,175km² in the Valencia Basin, offshore Spain, and is maturing its exploration programme. The authorisation to acquire 3D seismic is progressing. Applications for further acreage offshore Spain (in the Gulf of Lion off the Catalonian coast) have been submitted and are under review by the Ministry of Industry, Energy and Tourism.

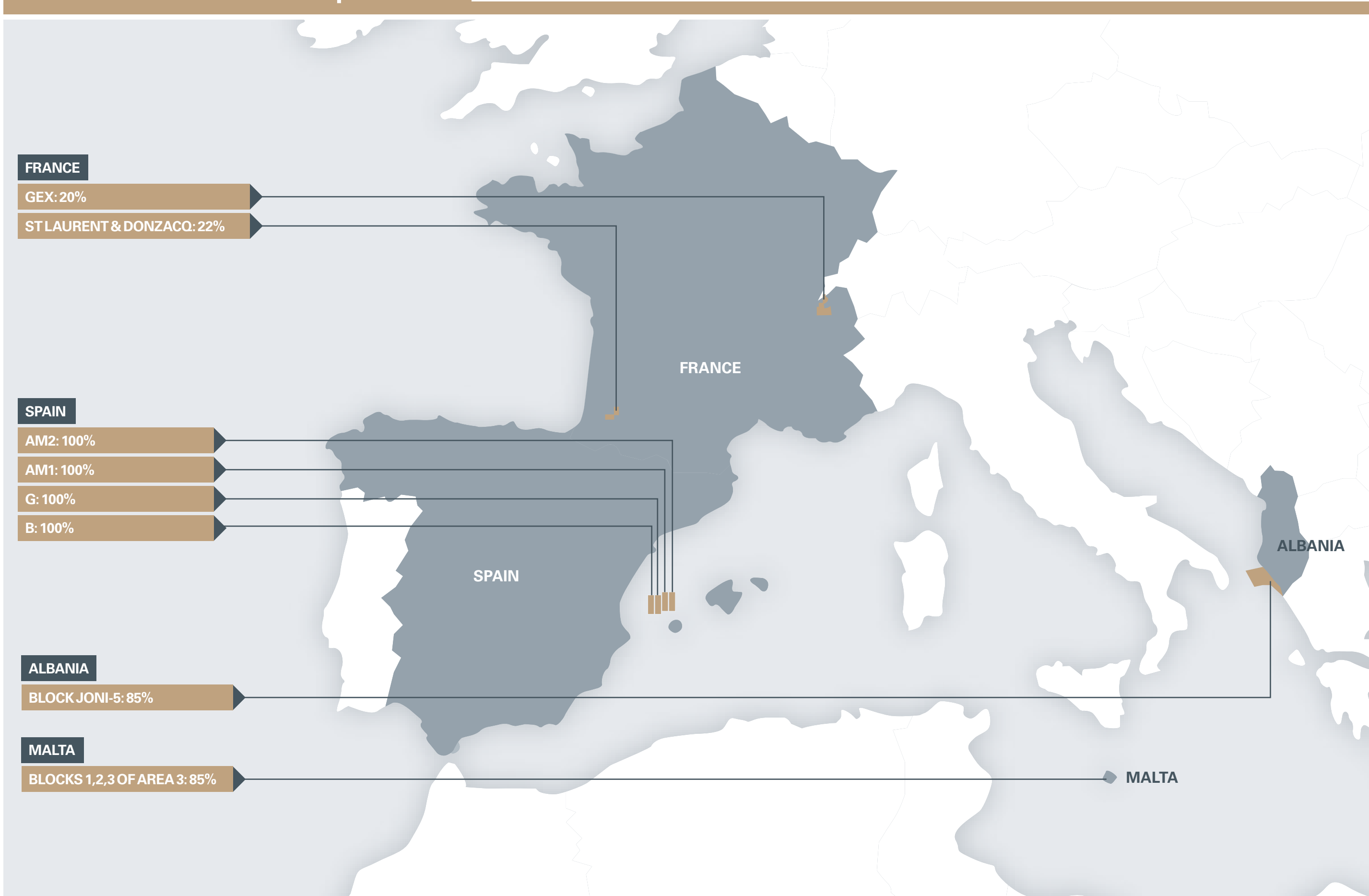
In July, Mediterranean Oil & Gas Plc (MOG) acquired a 40% WI in the Exploration Study Agreement ('ESA') from Cairn (Operator; 60% WI) relating to offshore Malta Area 3 – Blocks 1, 2 and 3.

We continue to look at other opportunities in the Mediterranean.

Below:

Spain
The authorisation to acquire 3D seismic is progressing.

Mediterranean – Frontier Exploration



Operational Review Continued

Mature Basin Exploration and Development – UK & Norwegian North Sea and Norwegian Continental Shelf

As part of a continuing growth and asset rationalisation programme to realise and create value, Cairn has recently agreed a series of North Sea asset exchanges.

Asset Exchanges

A. Cairn and Statoil have executed two transactions:

i. Firstly, Cairn (via its wholly owned subsidiary Capricorn Norge AS) has farmed in to Statoil's operated production licence PL159C in the Norwegian North Sea (on a promoted basis) to achieve an 18% share of the licence. Prior to the transaction, Statoil held a 60% interest and E.ON E&P Norge a 40% interest. An exploration well on the Klara Prospect has been operating during the summer. Further analysis and evaluation will be carried out to evaluate the commerciality of the discovery.

ii. Secondly, Statoil has acquired 10% of Cairn's existing 30% interest in licences P2040 and P2086 on the UK Continental Shelf. The licences are located in an area south of the Catcher development.

B. In a transaction with TAQA Bratani Limited (a wholly owned subsidiary of TAQA) Cairn (via its wholly owned subsidiary Agora Oil & Gas (UK) Limited) has transferred its entire interest of 20% in the Cladhan South Licence P1680 in the UK North Sea. In return, TAQA is transferring to Cairn a 15% interest in licences P2040 and P2086, taking Cairn's total interest in both licences to 35% following the concurrent transaction on these licences with Statoil.

C. Cairn has agreed a transaction to dispose of Mariner, details as follows. The disposal is structured as a put and call option agreement with Dyas UK Limited (Dyas) in connection with the sale to Dyas of a 6% interest in Licence P335 (Block 9/11a) and a 6% interest in Licence P1758 (Blocks 8/15a and 9/11d) (Mariner West) and an 80% interest in Licence P979 (Block 9/11c) (Mermaid). The options are exercisable upon the completion of an internal reorganisation to transfer the relevant interests into the designated disposal company.

The consideration for the sale consists of an initial cash payment to Cairn of US$43m together with an amount equal to Cairn's expenditure on the licence interests since 31 December 2012. In addition, a deferred consideration of US$2.77m is payable in cash upon first oil on Licence P335. Cairn currently intends to use the proceeds for internal Group purposes.

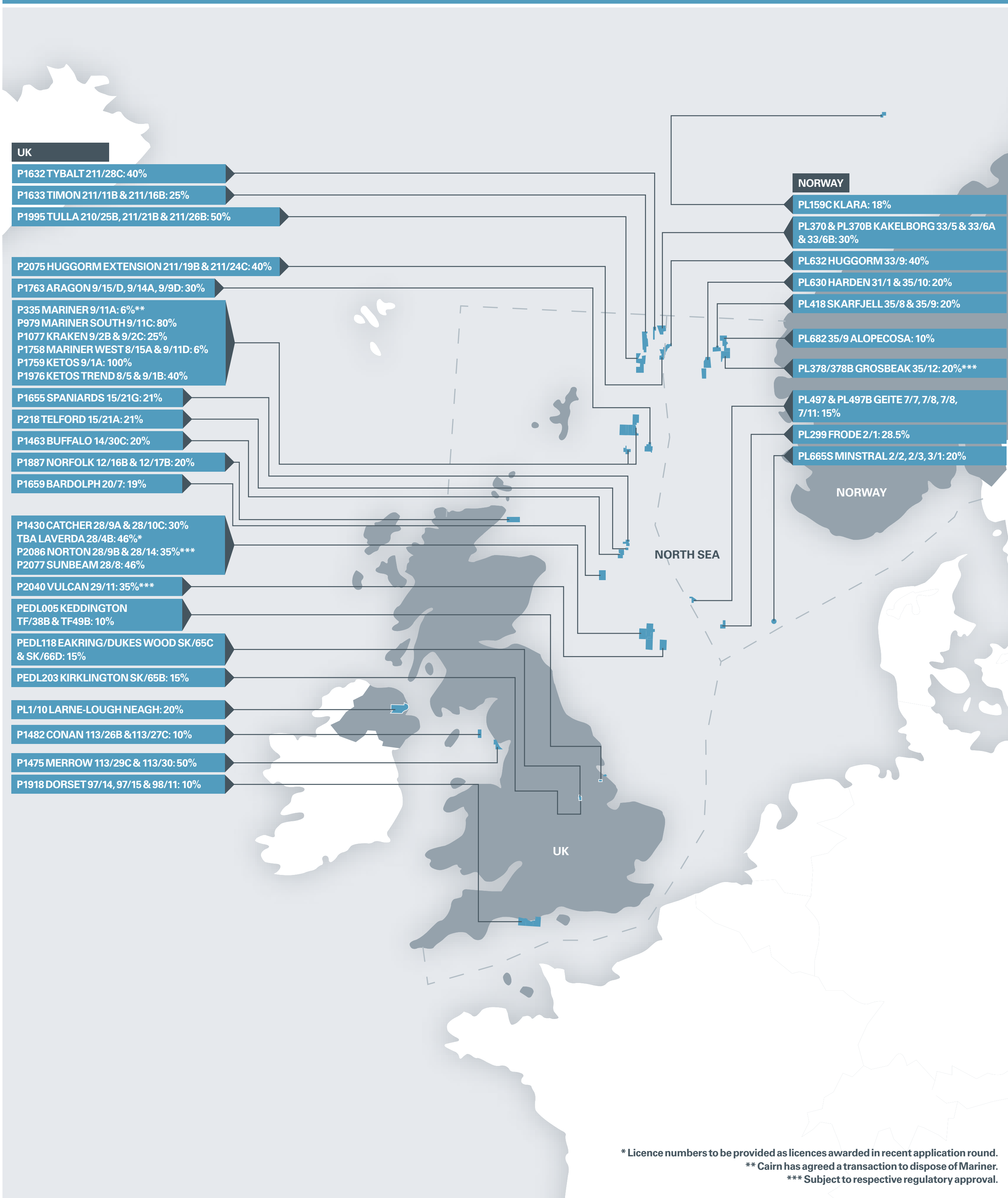
D. In a transaction with Premier Oil, Cairn (via its wholly owned subsidiary Capricorn Norge AS) has acquired a 20% interest in the PL378/PL378B licences. The licences are located on the Norwegian North Sea, immediately south south east of the existing PL418 Skarfjell licence (Cairn 20%). This investment will strengthen Cairn's position in an area where the Company now has a share of two existing commercial discoveries, Skarfjell and Grosbeak.

All of these agreements are subject to approval by the respective regulators in each case: Norwegian Ministry of Petroleum and Energy and UK Department of Energy and Climate Change (DECC).

North Sea
As part of a continuing growth and asset rationalisation programme to realise and create value, Cairn has recently agreed a series of North Sea asset exchanges.

Operational Review Continued

UK and Norway – Exploration, Appraisal and Pre-development



* Licence numbers to be provided as licences awarded in recent application round.
** Cairn has agreed a transaction to dispose of Mariner.
*** Subject to respective regulatory approval.

Operational Review Continued

Mature Basin Exploration and Development – UK & Norwegian North Sea and Norwegian Continental Shelf Continued

Exploration, Appraisal and Pre-development

Catcher Area (Cairn WI 30%)
The Bonneville exploration well (28/9a-6) and its side track (28/9a-6z) discovered oil in excellent quality reservoirs. The Bonneville discovery is located four kilometres south of the Burgman discovery on the Catcher licence in the UK Central North Sea. The Bonneville discovery is the seventh oil discovery on the Catcher licence, indicating the potential for further satellite developments. The estimated gross mean oil in place for the Bonneville discovery is approximately 25mmbbls.

The FDP for Catcher is expected to be submitted in H2 2013 by the operator, Premier Oil.

Skarfjell Area (Cairn WI 20%)
Following completion of the first appraisal well drilled downdip and designed to test reservoir extent, thickness and quality earlier this year, a second Skarfjell appraisal well is to be drilled in Q3/Q4 2013. Cairn's current gross resource range is between 83mmbbls (98mmboe) and 163mmbbls (192mmboe).

The nearby Grosbeak field has already been appraised and is a potential satellite development to Skarfjell. Cairn also believes the PL378 acreage to be highly prospective with several leads already identified.

Kraken Area (Cairn WI 25%)
The FDP for Kraken (operator, EnQuest) has been submitted to DECC and is currently undergoing review.

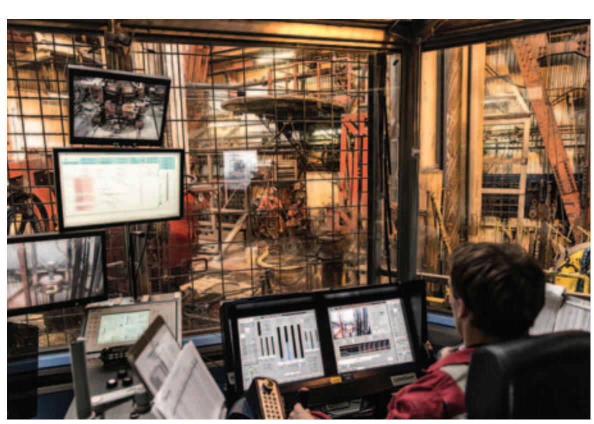
The Kraken north appraisal well drilled in H1 2013 was successful in confirming a second accumulation of heavy oil to the north of the Kraken field. Further appraisal to the west of the Kraken field is being considered for 2014. Expenditure on the Kraken field is carried for up to US$240m, consisting of a US$150m firm carry and US$90m contingent carry. The value of the contingent carry is calculated by reference to the agreed 2P reserves determined during the development drilling phase. The operator's current estimate of gross reserves is 137mmboe. Cairn will transfer contingent resources to reserves once the Kraken FDP has been approved.

The 'K' Prospect, located in block 9/1a in the UK North Sea (Cairn 100%, Operator) to the west of Kraken is also under consideration for drilling in 2014. The current gross unrisked prospective resource range for the 'K' complex is estimated to be 50-250mmbbls.

Other Areas
The operator for PL 299 Frode, Talisman Energy Norge AS (operator WI 31.5%), with partners Capricorn Norge, a wholly owned subsidiary of Cairn (WI 28.5%), Dong E&P Norge (WI 20%) and North Energy (WI 20%), completed the drilling operations on the prospect. No hydrocarbons were encountered and the well has been plugged and abandoned.

Drilling operations completed on the Timon exploration well 211/11b-7 in Licence P1633 located in the UK Northern North Sea in July. The well did not encounter hydrocarbons and was plugged and abandoned. The partners in the P1633 Licence are MPX North Sea Limited (operator, WI 15%), Cairn (WI 25%), TAQA Bratani Limited (WI 18%), Wintershall E&P Limited (WI 17%), Sorgenia E&P (UK) Ltd (WI 15%) and Valiant Causeway Limited (WI 10%).

Applications are being developed for submitting to the next Norwegian APA licence round.



Far left:
Stavanger Harbour.

Left:
Non-operated activity in the UK and Norwegian North Sea.

Financial Sustainability

At 30 June 2013, the Group holds oil and gas assets of US$895m. During the period, Cairn has continued its non-operated exploration, appraisal and development activities in the North Sea, expanded the wider portfolio of assets by farming into three contiguous licences in Senegal and begun preparations for drilling offshore Morocco.

	US$m
Oil and Gas assets at 31 December 2012	971
North Sea – Exploration, appraisal and development asset additions	95
North Sea – Unsuccessful exploration costs and impairment	(78)
North Sea – Transfer of development asset to held-for-sale	(56)
Other regions – Exploration additions and other cost adjustments	26
Foreign exchange differences	(63)
Oil and gas assets at 30 June 2013	**895**

After establishing the Group's North Sea portfolio with last year's corporate acquisitions, Cairn has participated in five exploration and appraisal wells in the six months to 30 June 2013 and further exploration opportunities have been added to the portfolio during the period and subsequently. Work continues with partners on completing the FDPs for the Kraken and Catcher fields.

During the six months to June 2013, three non-operated exploration wells were completed. The Timon well in the UK North Sea, suspended in 2012, was completed in February and the Frode exploration well in the Norwegian sector completed in June 2013. Neither well was successful and the costs are included within unsuccessful exploration costs charged of US$56m. The Bonneville exploration well was successful and demonstrates the further potential in the Catcher licence within the UK North Sea.

Two non-operated appraisal wells were also successfully completed in the six month period. Cairn was fully carried for the costs of the Kraken north appraisal well in the UK North Sea. The appraisal well drilled on the Skarfjell discovery in the Norwegian sector will be followed by a second appraisal well to be drilled later this year.

Subsequent to 30 June 2013, Cairn has agreed the transaction to dispose of the (non-core) Mariner asset. At 30 June 2013, capitalised expenditure of US$56m has been transferred to held-for-sale with US$22m impaired prior to transfer. The re-classification also released US$33m from the deferred tax provision.

In other regions, additions of US$20m in the period include well planning costs and long-lead items ahead of the Atlantic Margin drilling campaigns in Morocco and Senegal. In the North Atlantic, exploration activities continue in Greenland. Other cost adjustments of US$6m were primarily due to final contract closures reversing past unsuccessful exploration costs.

Subsequent to the half-year end, Cairn has reached agreement with ConocoPhillips to farm down the Senegal interests, reducing Cairn's exploration spend to a sustainable level while retaining material exposure to success in these frontier areas. Cairn also completed the farm-in as operator to licences offshore the west of Ireland and a farm-in as non-operator to a licence offshore Mauritania as well as a number of North Sea asset exchanges.

Financial Review Continued

Available-for-sale Financial Assets, Working Capital and Other Assets and Liabilities

Cairn continues to hold a ~10% interest in Cairn India Limited ('CIL'). At 30 June 2013, the financial asset had a market value of US$956m, a ~22% reduction from the value at the date of initial recognition. As a result, cumulative mark-to-market valuation losses, previously recognised in equity and recorded through the Statement of Comprehensive Income, have been recycled to the Income Statement and recognised as an impairment at 30 June 2013, with a charge of US$268m to the Income Statement. Related deferred tax provision releases of US$75m have also been recycled to the Income Statement.

At 30 June 2013, the Group had net funds of US$1.5bn and loans of US$60m on the facility related to tax refunds recoverable in Norway on qualifying exploration and related expenditure. The tax refund due was US$103m at the Balance Sheet date.

The Group's other intangible assets consist mainly of the goodwill that arose on the corporate acquisitions last year. At this time, although Cairn's market capitalisation remains substantially below the net assets in the Group Balance Sheet, the value in use of the Group's exploration and appraisal assets together with CIL financial asset and net funds available at 30 June 2013 continue to support the carrying value of the net assets in the Balance Sheet.

Results for the Period

Until the Kraken and Catcher fields in the North Sea come on stream, Cairn has no production revenues and the Income Statement volatility reflects the Group's exposure to non-recurring items.

During the first six months of 2013, the Group made a loss after tax of US$219m (H1 2012: profit of US$37m). Total impairments of US$290m were recognised, US$22m on the Mariner asset now held-for-sale and US$268m relating to the CIL financial asset recycled from equity – deferred tax credits on these impairments totalled US$108m. Unsuccessful costs relating largely to the two North Sea exploration wells were US$49m and pre-award costs of US$11m were incurred as the Group continues to generate new opportunities.

Increased administrative charges of US$25m (H1 2012: US$19m) reflect the offices in Stavanger and London operating for the full six months – 2012 comparatives include only two months of the Stavanger office. Qualifying administrative expenses within Norway are eligible for a tax refund in the year incurred and contribute to a current tax credit for the period of US$45m which is included in the tax refund recoverable noted above. Restructuring of inter-company debt has reduced the Group's exposure to foreign exchange fluctuations and is also reflected in reduced finance income for the period.

Cash Flow

The Group's net funds (cash and deposits less bank borrowings) at 30 June 2013 were US$1,453m, after a net cash outflow of US$107m over the current six month period. US$22m of this outflow related to operating activities, primarily new business and administrative expenses, with US$84m relating to oil and gas expenditure being, US$74m on exploration assets, including the Frode, Timon, Bonneville and Skarfjell wells, and US$10m on the Mariner development asset.

Principal Risks and Uncertainties

Cairn operates in a dynamic environment and risk management is an essential component of business success at Cairn.

In the delivery of the Company's strategy, Cairn seeks out investment opportunities which offer a balance of risk (technical, political and commercial) and reward. The identification, evaluation and management of risk, together with the way Cairn responds to changes in the external environment, underpin the safe delivery of the Company's business plan and strategic objectives, protect Cairn's 'licence to operate' and reputation, and help create long-term competitive advantage.

Business risks across the Group are addressed in a systematic way. The Board has overall responsibility for risk management and their approach is embedded throughout the organisation. It is supported by formal processes and a number of risk management forums, which feed into the Group Risk Management Committee currently chaired by the Managing Director and CFO, Jann Brown, with participation from both Executive and Non-Executive Directors, and members of Cairn's senior management team.

The principal risks and uncertainties facing the Group at 2012 year end and the approach to managing those risks were fully set out on pages 41-47 of the Annual Report and Accounts 2012.

Financial Review Continued

Responding to Changing Risks during H1 2013
Cairn has assessed the key risks and uncertainties at the end of H1 2013 and concluded that three of the four risks identified at 2012 year end remain relevant. The risk of accessing near-term 'drillable' frontier exploration opportunities is no longer a key risk as it has been mitigated during H1 through the farm-ins to permits in Senegal, Ireland and Mauritania, which add to the exploration investment opportunities in Morocco and Malta. As a consequence of the preparations for the commencement of our drilling programmes in Morocco and Senegal in late Q3 2013 and H1 2014 respectively, two new key risks have been added. These are:

- Uncertainties over permitting requirements and timetables for approvals in new countries
- Effective management of risks to people and the environment.

Going Concern
The directors have considered the financial and operational risk relevant to support a statement of going concern. The Group's liquidity is carefully and routinely monitored. The directors have a reasonable expectation that the Group has adequate financial resource to continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis in preparing the financial statements.

Outlook
With net cash plus our investment in CIL totalling US$2.4bn at 30 June 2013, the Group remains well funded to deliver both the developments and an ongoing programme of exploration wells across frontier and mature basins. The introduction of debt to part finance the developments will release equity cash to help fund that exploration and over time the North Sea developments, Kraken and Catcher, will become the funding platform of the business.

The Group's exploration programme for the remainder of 2013 and 2014 is now more fully defined and we will continue to focus our financial strength on high impact exploration opportunities.

Jann Brown
Managing Director and CFO
19 August 2013

Working Responsibly

H1 Highlights

- Zero injuries during activities completed
- Environmental Impact Assessment (EIA) submitted to the Moroccan authorities in support of an application to carry out drilling activities in the Foum Draa Permit offshore Morocco which has recently been approved
- Social Baseline Study carried out for the Baffin Bay area on the north west coast of Greenland, in collaboration with three other oil and gas operators, to provide input to the Social Impact Assessment (SIA) studies for potential future drilling activities on the Pitu block
- 21 projects operating in Greenland to support education, sport and cultural initiatives, with funding provided through the Impact Benefit Agreement (IBA) entered into during the 2011 exploration drilling programme
- Cairn's new HSE Cultural Framework with expected HSE behaviours being rolled-out to managers, team leaders and staff
- Updated Corporate Responsibility (CR) Management System rolled-out

Focus on Delivery

Cairn is entering a busy operational phase with drilling programmes in a number of countries commencing in Q3 2013. Therefore the focus during H1 2013 has been on progressing towards operational readiness. This has included conducting health, safety, environmental (HSE) and social risk assessments and audits to support the permitting processes in Morocco and Senegal. These assessments have also provided the basis for management plans and procedures to minimise the potential impacts of our drilling activities on people and the environment.

Morocco

After completion of a 3D seismic survey offshore Morocco in January 2013, work during H1 has focused on preparation of an EIA for the drilling programmes in the Foum Draa and Juby Maritime licence areas offshore Morocco, commencing in Q3. Cairn has recently received initial approval on the EIA for the Foum Draa planned exploration drilling programme. Activities have included:

- Completion of environmental baseline surveys in both licence areas in April/May 2013
- A pre-hire inspection of equipment and safety management system of the Transocean operated Cajun Express semi-submersible drill rig in June 2013
- An audit of shore base and waste management facilities in Agadir to inform the development of the waste management plan
- Reviews of health, security and medical evacuation support facilities in Morocco
- The development of emergency response and oil spill contingency plans involving engagement with emergency response authorities in Morocco and the international oil spill response specialists from Oil Spill Response Ltd (OSRL)
- The development of a Public Consultation and Disclosure Plan (PCDP), incorporating stakeholder engagement and management planning.

Ireland

Following Cairn's farm-in to two exploration licences and one licensing option in the Porcupine Basin offshore west of Ireland, operatorship was subsequently transferred to Cairn. During H1 we worked with the previous operator, Chrysaor, to ensure a smooth and efficient handover and to progress pre-drilling activities. This has included continuation of work to develop the Environmental & Social Impact Assessment (ESIA) and a local PCDP for the appraisal well in 2014.

Senegal

Following Cairn's farm-in to three blocks offshore Senegal and the subsequent transfer of operatorship to Cairn, work during H1 has focused on:

- In-country visits to meet key stakeholders to build an understanding of the regulatory processes, and of how business is done in Senegal, and to build up a stakeholder map, which informs the development of the PCDP
- Undertaking an initial security risk assessment
- Preparing for the development of an ESIA for future exploration drilling activities.

Preparations will continue during H2 and include finalising the ESIA, preparing HSE plans and seeking regulatory approval for two offshore wells during H1 2014.

Greenland

Since being granted a licence to operate offshore Greenland in 2007, we have acquired interests in 11 blocks covering approximately 102,000km² and continue to work closely with the Government of Greenland to prioritise safety, environmental and social protection. During H1 2013, key activities in Greenland have included:

- Development of EIA and SIA studies for potential drilling activities in the Pitu licence area with our joint venture partners Statoil and Nunaoil in 2014 in Baffin Bay offshore north west Greenland
- To support the EIA work, an environmental baseline survey has been commissioned to provide physico-chemical and macrofaunal data together with photographic records of the sea bed in the areas of potential future drilling. This survey is expected to take place in Q3 2013
- To support the SIA study, a Social Baseline Study was commissioned for the Baffin Bay area (see the Case Study on the next page)
- Continued development of thorough emergency response and oil spill prevention and contingency plans through active participation in industry work groups, initiatives and engaging experts in the field
- Monitoring the implementation of educational and community development projects supported by the IBA as agreed with the Bureau of Minerals and Petroleum (BMP) and the municipalities affected by our operations in 2011. As part of the IBA, two funds were set up:
  - An Education Fund, which aims to improve technical skills within Greenland and encourage greater participation of Greenlanders in the oil and gas industry. Eleven projects received grants from this fund, totalling $500,000.

Working Responsibly Continued

– A Community Development Fund, which aims to develop young people's potential and positive attitudes through sports and cultural activities. Ten projects received grants from the fund, totalling $75,000.

Each fund is administered and monitored by a Board comprising representatives from the Government of Greenland, the local municipalities and Cairn. The majority of the projects have now been finalised and all of them are expected to be completed by the end of 2013.

The dynamically positioned drilling vessel, the Fugro Senergy, will mobilise to Greenland in Q3 2013 to permanently plug and abandon four exploration wells that were suspended during the 2010/11 exploration drilling programmes.

In addition, post-drill environmental surveys will be carried out at each of the locations. This will allow comparison with results from pre-drill environmental surveys, undertaken as part of the environmental baseline for the EIA studies, which were part of the authorisation process for the original exploration well programme.

Spain

The application to carry out 3D seismic activities in licence areas in the Gulf of Valencia has now passed through the first phase of the approval process. Amendments will now be made to the EIA to address the conditions set out in the approval. A PCDP is also in place and being implemented to support stakeholders who are involved in, or can influence, the approval for the 3D seismic.

UK and Norway

We continue to actively participate with our operator partners in progressing their design studies for the Kraken and Catcher developments in the UK sector and in the planning process for exploration and appraisal wells offshore UK and Norway. This includes meeting our regulatory obligations in Norway to independently review the operators' well design and risk mitigation plans on exploration and appraisal wells. We are also developing the systems to support our involvement as a non-operating Joint Venture (JV) partner in the potential development of the Skarfjell discovery in Norway.

New Business

Cairn continues to assess new business opportunities as part of its strategy of creating a transformational exploration portfolio, balanced with appraisal and development assets. All new business is subject to an assessment of CR risks associated with the new venture. The results of this process form part of all investment proposals and informs the risk register of any new venture and future integration plans if the new venture goes ahead.

Social and Environmental Activities Case Study

Baffin Bay Social Baseline Study

Greenlandic regulations require companies to conduct a SIA before undertaking exploration drilling activities. A key part of this process is a Social Baseline Study, which provides a description of existing social conditions, development trends and development goals in the communities potentially affected by exploration drilling in the area.

Four oil and gas companies operate in the Baffin Bay area of north west Greenland: Cairn; ConocoPhillips; Maersk; and Shell. As the four operators are active in the same sphere of operations, it was apparent that they would all require a Social Baseline Study of the same area for any potential future drilling operations. The companies therefore agreed to collaborate and representatives from each of the companies have sat on a panel to support and guide the study led by Maersk and carried out in partnership by international consultancy, Golder Associates and a Greenlandic environmental consultancy, Inuplan.

It is hoped that collaboration has strengthened this study and avoided repeated work and public consultation fatigue – a key consideration in a small population such as in north west Greenland.

Further consultation is planned in Q3 to seek input from local authorities and communities in the Baffin Bay area to develop the SIA and management planning for potential future drilling activities in the Pitu block.

Working Responsibly Continued

Our aim as an independent oil and gas exploration and production company is to do a job the world needs as safely as we can.

United Nations Global Compact

Our Responsible Approach

Our activities can, of course, present potential health, safety, environmental and social impacts, collectively managed under the banner of CR; however, our overriding priority is to carry out all of our operations safely, responsibly and inclusively, in keeping with our Core Values, Business Principles and the principles of the United Nations Global Compact.

Living our core values (the 'three Rs') of building **respect**, nurturing **relationships** and acting **responsibly** informs and guides our CR approach to managing the interaction between financial growth, society and environment. Our CR approach listens to and is informed by shareholder and other stakeholder expectations in relation to our financial performance, as well as risk management and wider environmental and societal concerns.

More details of our approach to CR can be found in the Responsibility section on the Cairn website.

Mapping our CR Priorities

We use the materiality process, which consists of identifying and assessing the issues most important to our stakeholders and our business, to identify our CR priorities. This helps us prioritise strategies for managing these CR priorities and also informs updates to our CR policies, objectives, risk management and how we communicate our CR approach and performance.

In light of changes to the business during H1 and expected operational activities over the next 12 months, the following four CR priorities have been determined to have the highest relevance to Cairn and its stakeholders:

- Protecting health, safety and security of all those involved with our activities
- Preventing a major accident which could cause fatalities or injuries
- Preventing hydrocarbon spills
- Maintaining high levels of integrity and business ethics in all our relationships.

Our approach to managing these key CR issues is described in the following sections.

The 3Rs: our Core Values

Building Respect

We act with respect for people, their communities, the environment, human rights and the law.

Nurturing Relationships

We act honestly, transparently and with integrity to develop strong, lasting relationships with all our stakeholders.

Acting Responsibly

We behave fairly, ethically and are accountable for our actions. We believe in, and act on, our responsibility to care for people, society and the environment.

Working Responsibly Continued

Focus on Safety

Three of the top four CR issues identified from the materiality process relate to protecting people's health, safety and security and preventing major accidents or hydrocarbon spills.

These areas are also a focus for the upstream oil and gas industry. As a member company, Cairn has been actively supporting and participating in the initiatives being pursued by the International Association of Oil & Gas Producers (OGP), including the Well Expert Committee and Oil Spill Response (OSR) Joint Industry Project (JIP)[1]. We are also continuing to take a leading role in the Greenland Oil Industry Association (GOIA) Drilling and Oil Spill Response Expert Work Groups.

We have built on our experiences gained in Greenland during the 2010 and 2011 drilling programmes and are actively applying learnings from these industry initiatives, in order to ensure that we apply a rigorous approach to well control and blow-out prevention in our drilling operations. The main emphasis is on prevention by application of a series of barriers which are designed into the drilling programmes. These are supplemented by a series of strict internal and external well engineering and construction assurance processes, as follows:

Well Engineering and Construction Internal and External Assurance Processes

Internal	External Involvement
Cairn Project Delivery Process Gate Reviews	Major Hazard Assessment
Project Risk Register	Well Examiner
Corporate Risk Management review	Expert Peer Review
Well Engineering and Construction Team Competency Assessment	Regulator and Partner Reviews
Inspection, Testing, Acceptance and Induction of Drilling Rigs and Vessels	Independent Expert Review of Critical Equipment and Systems
	Daily Operational Reviews

Wells are designed to substantially exceed the expected characteristics of the formations which are to be encountered. Technical well designs are engineered to a high industry standard and assessed by an independent external expert well inspector.

In addition, the requirements of the Cairn Well Engineering and Construction (WEC) and CR Management Systems are translated into specific well designs, project plans and procedures. These are all independently verified before drilling can commence.

In any well design, the primary well control barrier is provided by the weight of the drilling fluid column (or hydrostatic pressure[2]) acting on the wellbore[3]. This barrier is maintained by having a wellbore fluid column with a higher pressure inside the wellbore than the fluid pressure in the formations[4] penetrated by the wellbore.

Secondary Well Control is provided by high specification blow-out preventers (BOPs). All BOPs are pressure tested prior to well deployment and re-tested every two weeks thereafter as a minimum. The BOP consists of a series of mechanical sealing devices (referred to as 'rams') with associated failsafe back-up systems. If the primary drilling fluid barrier does not work, the blow-out preventer rams and valves are operated to close the well, regain control and stop any hydrocarbon flow to the external environment.

Tertiary controls are applied to regain control of the well in the very unlikely event that primary and secondary controls have both failed. The response is via an escalating capability consisting of initial mobilisation of a 'cap and secure' system[5] and in the event of hydrocarbon release, various oil spill response measures including sub-sea well dispersant systems and further surface oil spill collection and dispersant responses. Traditional relief well drilling is also available as tertiary control to permanently plug the well.

1. Further information on this important initiative can be found at http://oilspillresponseproject.org.
2. **Hydrostatic pressure** is the total fluid pressure created by the weight of a column of fluid, acting on any given point in a well.
3. **Wellbore** is the hole drilled within a rock formation for oil and gas exploration process.
4. **Formation pressure** is the pressure of the fluid within the pore spaces of the formation rock.
5. **Cap and secure** systems consist of a set of rams and valves that are designed to lock onto the top of a failed BOP stack and close off the hydrocarbon discharge from a flowing well.

Working Responsibly Continued

Focus on People

People are the most important part of any successful, sustainable business. We value all our employees, which is why we strive to provide them with a stimulating working environment, a real sense of involvement with the business and the opportunity to fulfil their potential. During H1, good progress continues to be made in implementing our people strategy, including:

- With a growing portfolio of opportunities, delivery of our business objectives has required a significant increase in our technical specialists and support staff. An active recruitment campaign has resulted in our total staff and contractors increasing ~20% from 216 at 2012 year end to 258 at end H1. The increase has also required a major reorganisation of the layout of our Edinburgh and London offices to support the integration of regional teams
- In early 2013, we completed a comprehensive management development programme for middle managers across the organisation. The programme, which had been tailored specifically for Cairn, focused on key management and leadership skills, including influencing, building cross-functional relationships, promoting effective communications, developing coaching capability and empowering others
- The development of succession plans has been progressed for key business roles, in order to plan for and develop our future leadership pipeline
- We recognise that with our expansion into new countries, the risks to the security of our people and assets have increased and following a tender process, we appointed a new group security provider in March 2013. We also issued our updated travel health, safety and security procedure in May 2013. This requires travel risk assessments to be completed and travel management plans issued for travel to locations deemed to have heightened health, safety or security risks.
- As part of the HSE Leadership Team's initiatives in 2012, a review of the maturity of our current HSE culture and level of understanding of HSE within the business was completed. This led to the adoption of an HSE Cultural Framework with expected HSE behaviours applicable to managers, team leaders and staff. A series of workshops were held during H1 to ensure that our employees understand and are involved in further developing our HSE culture.

Focus on Society

Maintaining high levels of integrity and business ethics in all our relationships is fundamental to our business. In 2011, we adopted a new anti-bribery and corruption (ABC) Management System and procedures, to mitigate the risk of bribery and corruption, that accord with the UK Bribery Act. These procedures have been rigorously applied in all our activities since then, particularly over the last year in the due diligence processes for new business opportunities. Our overall approach to anti-bribery and corruption was reviewed by our outsourced internal audit service provider in April 2012 and we undertook a further review by external lawyers of our due diligence approach to potential new business partners in May 2013. We are currently updating our ABC procedures following this review.

Every year Cairn supports charities in Edinburgh and the Lothian region, where we have our headquarters, through donations from our Charities Committee which amount to ~£450,000 annually.

Cairn also supports local communities in areas where we are operationally active and these are managed separately by the relevant Asset or Country Manager. Cairn looks to support charities which, first and foremost, share our core values. Cairn supports charities across a number of categories including education, young people, communities, health, environment and arts and culture.

As part of our 2013 charitable giving programme we announced a new partnership with The John Byrne Award. The John Byrne Award is an educational programme designed to encourage young people at school to consider and express their values through the medium of art. The Award was set up in 2009 and currently runs on an annual basis in Edinburgh schools. Cairn has donated £50,000 as part of its 2013 donation programme and will partner with the charity for an initial three year period.

Cairn is keen to engage staff with the charities we support wherever possible. In H1 four members of Cairn staff participated as mentors in the Maths in the Pipeline challenges in June, an initiative of Aberdeen-based charity Techfest, which Cairn supported with a £14,000 donation. The aim of the challenges is to help school pupils to find out about the oil and gas industry and apply their maths skills to oil-industry-related problems.

A full report of our 2013 charitable giving programme will be provided in our Annual Report and Accounts 2013.

Our Performance

We monitor a range of performance indicators across the areas of health, safety, environment and society for our operational activities and offices. The key performance indicators of Lost Time Injury Frequency (LTIF), Total Recordable Injury Rate (TRIR) and direct greenhouse gas emissions are presented below.

There have been limited operational activities in H1. Following the completion of the 3D seismic survey in January, marine drill site surveys were undertaken in Morocco in April/May, together with some pre-drilling mobilisation activities onshore Morocco in June. All of these activities have been completed with no lost time or recordable injuries. Direct greenhouse gas emissions are ~17% higher in H1 2013 when compared with 2012.

Total Recordable Injury Rate (TRIR)

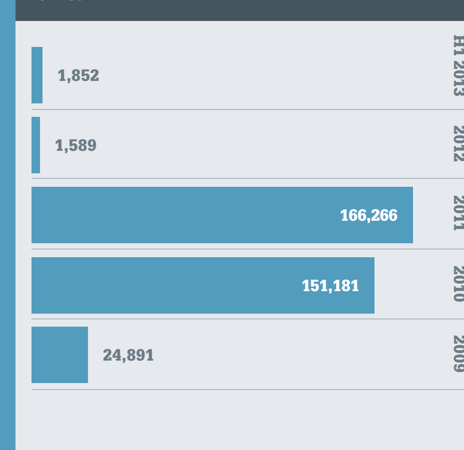
TRI per million hours

Lost Time Injury Frequency (LTIF)

LTI per million hours

Direct Greenhouse Gas Emissions

Tonnes



Working Responsibly Continued

Group CR Objectives

We set ourselves ten CR Objectives at the start of 2013 and the following provides a brief progress update on each item.

Objectives	Progress as at end H1	
Approach to Managing Health, Safety and Environment		
1. Complete development of the updated Group Corporate Responsibility Management System (CRMS) and supporting procedures and provide training in its use	Completed. Updated Group CRMS rolled-out to all senior management and reference document issued.	Complete
2. Review and update the CR Policies and Business Principles	Nearing completion. Updates to be issued in September.	Ongoing
Behaving Responsibly in All Our Business Relationships		
3. Complete anti-bribery and corruption refresher training and monitor its implementation	Nearing completion. New business ABC procedures reviewed by external lawyers and the outcome presented to senior management. Updated procedures to be issued in September.	Ongoing
4. Enhance HSE/CR communications to external stakeholders	Completed. Enhanced 2012 CR Report on website, complemented by a printed summary report.	Complete
5. Implement new contractor management HSE procedures	Underway. Enhanced approach adopted for CR assessments during tendering process and engagement during operational phase.	Ongoing
Behave Responsibly Towards Society and Communities		
6. Provide training in updated human rights procedures	Completed. Workshop held with CR practitioners on updated approach to identifying and managing potential human rights impacts.	Complete
Behave Responsibly Towards our People		
7. Implement management and other staff training programmes	Completed. Senior and middle management training programmes undertaken during H1.	Complete
8. Roll-out the HSE Culture Framework and enhance CR communications to staff	Nearing completion. HSE Culture Workshops held with 22% of staff at end H1. All staff to have participated in workshops by end Q3.	Ongoing
Behaving Responsibly Towards the Environment		
9. Update our approach to climate change	Nearing completion. Initial assessment of climate change strategy and approach completed. Updated strategy to be issued by end September.	Ongoing
10. Refresh our approach to biodiversity	Nearing completion. Initial assessment of biodiversity strategy and approach completed. Updated strategy to be issued by end September.	Ongoing

● Complete

● Ongoing

Statement of Directors' Responsibilities

The directors confirm that, to the best of their knowledge, these condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 and the Disclosure and Transparency Rules (DTRs) of the UK Financial Conduct Authority.

The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R being a fair review of the business and important events impacting it, as well as a description of the principal risks and uncertainties that Cairn faces for the remainder of the year and a fair review of the related party disclosure requirements.

The directors of the Company are listed in the Annual Report for the year ended 31 December 2012 plus Ian Tyler who was appointed to the Board as an independent non-executive director in June 2013.

By order of the Board.

Simon Thomson
Chief Executive
19 August 2013

Jann Brown
Managing Director and CFO
19 August 2013

Independent Review Report to Cairn Energy PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013, which comprises the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Cashflows, Group Statement of Changes in Equity and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' Responsibilities

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

As disclosed in note 1.1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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.

Scope of Review

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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
19 August 2013
Glasgow

Half-yearly Financial Statements

Notes to the Financial Statements

Group Income Statement
For the six months ended 30 June 2013

	Section	**Six months ended 30 June 2013 (unaudited) $m**	Six months ended 30 June 2012 (unaudited) $m	Year ended 31 December 2012 (audited) $m
Pre-award costs		**(11.3)**	(7.7)	(18.1)
Unsuccessful exploration costs	2.1	**(49.2)**	(50.0)	(158.7)
Administrative expenses		**(24.8)**	(19.0)	(53.3)
Other expenses		**–**	–	(11.2)
Impairment of oil and gas assets	2.2	**(22.4)**	–	(6.0)
Operating loss		**(107.7)**	(76.7)	(247.3)
Loss on sale of available-for-sale financial asset		**–**	(45.1)	(81.5)
Impairment of available-for-sale financial asset	3.1	**(267.5)**	–	–
Finance income		**3.8**	71.9	135.9
Finance costs		**(1.2)**	(0.1)	(1.3)
Loss before taxation		**(372.6)**	(50.0)	(194.2)
Taxation				
Tax credit	4.2	**153.5**	87.1	266.8
(Loss)/profit after taxation attributable to equity holders of the parent		**(219.1)**	37.1	72.6
Earnings per ordinary share – basic (cents)	4.3	**(36.70)**	5.24	11.13
Earnings per ordinary share – diluted (cents)	4.3	**(36.70)**	5.23	11.12

Group Statement of Comprehensive Income
For the six months ended 30 June 2013

	Section	**Six months ended 30 June 2013 (unaudited) $m**	Six months ended 30 June 2012 (unaudited) $m	Year ended 31 December 2012 (audited) $m
(Loss)/profit for the period		**(219.1)**	37.1	72.6
Other comprehensive income – items that may be recycled to profit or loss				
Deficit on valuation of financial assets	3.1	**(182.8)**	(137.1)	55.6
Deferred tax credit/(charge) on valuation of financial assets		**64.6**	17.0	(18.8)
Valuation movement recycled to Income Statement		**267.5**	22.5	(12.8)
Deferred tax (charge)/credit on valuation movement recycled to Income Statement		**(74.5)**	(1.7)	9.1
Currency translation differences		**(73.1)**	(22.0)	(24.5)
Other comprehensive income for the period		**1.7**	(121.3)	8.6
Total comprehensive income for the period		**(217.4)**	(84.2)	81.2
Attributable to:				
Equity holders of the parent		**(217.4)**	(84.2)	81.2
		(217.4)	(84.2)	81.2

Group Balance Sheet
As at 30 June 2013

	Section	**As at 30 June 2013 (unaudited) $m**	As at 30 June 2012 (unaudited) $m	As at 31 December 2012 (audited) $m
Non-current assets				
Intangible exploration/appraisal assets	2.1	**894.8**	432.5	899.8
Property, plant & equipment – development/producing assets	2.2	**–**	–	71.0
Property, plant & equipment – other		**2.9**	2.3	2.8
Intangible assets – other	3.3	**457.4**	210.6	489.3
Available-for-sale financial assets	3.1	**955.6**	1,932.5	1,138.4
		2,310.7	2,577.9	2,601.3
Current assets				
Trade and other receivables		**35.3**	454.9	72.7
Bank deposits	3.2	**2.3**	–	2.3
Cash and cash equivalents	3.2	**1,510.5**	932.8	1,586.3
Income tax assets	4.2	**103.0**	35.3	65.1
		1,651.1	1,423.0	1,726.4
Assets held-for-sale	2.3	**56.2**	–	–
Total assets		**4,018.0**	4,000.9	4,327.7
Current liabilities				
Loans and borrowings	3.2	**60.1**	6.0	29.6
Trade and other payables		**76.0**	109.5	82.4
Provisions		**37.0**	–	40.5
		173.1	115.5	152.5
Non-current liabilities				
Provisions		**2.7**	26.6	2.6
Deferred tax liabilities	4.2	**405.5**	365.2	530.9
		408.2	391.8	533.5
Liabilities held-for-sale	2.3	**6.1**	–	–
Total liabilities		**587.4**	507.3	686.0
Net assets		**3,430.6**	3,493.6	3,641.7
Equity attributable to equity holders of the parent				
Called-up share capital		**13.0**	13.0	13.0
Share premium		**486.9**	484.4	486.9
Shares held by ESOP Trust and SIP Trust		**(28.1)**	(2.6)	(28.7)
Foreign currency translation		**(104.6)**	(29.0)	(31.5)
Merger reserve		**255.9**	255.9	255.9
Capital reserves – non distributable		**40.2**	40.2	40.2
Available-for-sale reserve		**–**	(207.2)	(74.8)
Retained earnings		**2,767.3**	2,938.9	2,980.7
Total equity		**3,430.6**	3,493.6	3,641.7

Group Statement of Cash Flows
For the six months ended 30 June 2013

	Section	**Six months ended 30 June 2013 (unaudited) $m**	Six months ended 30 June 2012 (unaudited) $m	Year ended 31 December 2012 (audited) $m
Cash flows from operating activities				
Loss before taxation from continuing activities		**(372.6)**	(50.0)	(194.2)
Unsuccessful exploration costs		**49.2**	50.0	158.7
Depletion, depreciation, decommissioning and amortisation		**1.7**	0.9	3.5
Share-based payments charge		**6.3**	3.5	9.9
Loss on disposal of available-for-sale financial asset		**–**	45.1	81.5
Impairment of oil and gas assets		**22.4**	–	6.0
Impairment of available-for-sale financial asset		**267.5**	–	–
Finance income		**(3.8)**	(71.9)	(135.9)
Finance costs		**1.2**	0.1	1.3
Net interest paid		**(1.2)**	(0.1)	(1.3)
Income tax received		**–**	–	8.2
Foreign exchange differences		**2.0**	1.2	(9.3)
Trade and other receivables movement		**4.9**	0.4	29.4
Trade and other payables movement		**(0.1)**	(12.3)	(31.5)
Net cash used in operating activities		**(22.5)**	(33.1)	(73.7)
Cash flows from investing activities				
Expenditure on intangible exploration/appraisal assets		**(73.8)**	(51.6)	(139.1)
Expenditure on property, plant & equipment – development/producing assets		**(10.0)**	–	–
Purchase of property, plant & equipment – other		**(0.8)**	(0.4)	–
Purchase of intangible assets – software		**(1.8)**	(2.9)	(6.0)
Consideration paid for business combinations		**–**	(196.2)	(844.5)
Cash acquired as a result of business combinations		**–**	41.4	123.9
Expenses incurred on disposal of Cairn India group		**–**	(43.7)	(43.7)
Proceeds on disposal of intangible exploration/appraisal assets		**–**	–	33.3
Proceeds on disposal of available-for-sale financial asset		**–**	–	1,286.2
Movement in funds on bank deposits		**–**	–	6.4
Dividend received		**–**	–	18.0
Interest received		**1.2**	3.5	6.7
Net cash (used in)/from investing activities		**(85.2)**	(249.9)	441.2
Cash flows from financing activities				
Proceeds of borrowings		**36.6**	–	22.5
Cost of shares purchased		**–**	(0.9)	(27.0)
Proceeds from exercise of share options		**–**	0.8	3.2
Return of cash to shareholders		**–**	(3,575.2)	(3,575.2)
Net cash flows from/(used in) financing activities		**36.6**	(3,575.3)	(3,576.5)
Net decrease in cash and cash equivalents		**(71.1)**	(3,858.3)	(3,209.0)
Opening cash and cash equivalents at beginning of period		**1,586.3**	4,730.7	4,730.7
Exchange (losses)/gains on cash and cash equivalents		**(4.7)**	60.4	64.6
Closing cash and cash equivalents	3.2	**1,510.5**	932.8	1,586.3

Group Statement of Changes in Equity
For the six months ended 30 June 2013

	Equity share capital $m	Shares held by ESOP Trust and SIP Trust $m	Foreign currency translation $m	Merger and capital reserves $m	Available-for-sale reserve $m	Retained earnings $m	**Total equity $m**
At 1 January 2012	497.6	(1.7)	(7.0)	40.2	(107.9)	6,472.1	**6,893.3**
Profit for the year	–	–	–	–	–	72.6	**72.6**
Surplus on valuation of financial assets	–	–	–	–	55.6	–	**55.6**
Deferred tax charge on valuation of financial assets	–	–	–	–	(18.8)	–	**(18.8)**
Valuation movement recycled to Income Statement	–	–	–	–	(12.8)	–	**(12.8)**
Deferred tax credit on valuation movement recycled to Income Statement	–	–	–	–	9.1	–	**9.1**
Currency translation differences	–	–	(24.5)	–	–	–	**(24.5)**
Total comprehensive income for the year	–	–	(24.5)	–	33.1	72.6	**81.2**
Exercise of employee share options	3.2	–	–	–	–	–	**3.2**
Share-based payments	–	–	–	–	–	9.9	**9.9**
Shares issued for acquisitions	1.0	–	–	255.9	–	–	**256.9**
Return of cash to shareholders	(1.9)	–	–	–	–	(3,573.9)	**(3,575.8)**
Cost of shares purchased	–	(27.0)	–	–	–	–	**(27.0)**
At 31 December 2012	499.9	(28.7)	(31.5)	296.1	(74.8)	2,980.7	**3,641.7**
Loss for the period	–	–	–	–	–	(219.1)	**(219.1)**
Deficit on valuation of financial assets	–	–	–	–	(182.8)	–	**(182.8)**
Deferred tax credit on valuation of financial assets	–	–	–	–	64.6	–	**64.6**
Valuation movement recycled to Income Statement	–	–	–	–	267.5	–	**267.5**
Deferred tax charge on valuation movement recycled to Income Statement	–	–	–	–	(74.5)	–	**(74.5)**
Currency translation differences	–	–	(73.1)	–	–	–	**(73.1)**
Total comprehensive income for the period	–	–	(73.1)	–	74.8	(219.1)	**(217.4)**
Share-based payments	–	–	–	–	–	6.3	**6.3**
Cost of shares vesting	–	0.6	–	–	–	(0.6)	**–**
At 30 June 2013	**499.9**	**(28.1)**	**(104.6)**	**296.1**	**–**	**2,767.3**	**3,430.6**

Group Statement of Changes in Equity Continued
For the six months ended 30 June 2012

	Equity share capital $m	Shares held by ESOP Trust and SIP Trust $m	Foreign currency translation $m	Merger and capital reserves $m	Available-for-sale reserve $m	Retained earnings $m	Total equity $m
At 1 January 2012	497.6	(1.7)	(7.0)	40.2	(107.9)	6,472.1	6,893.3
Profit for the period	–	–	–	–	–	37.1	37.1
Deficit on valuation of financial assets	–	–	–	–	(137.1)	–	(137.1)
Deferred tax credit on valuation of financial assets	–	–	–	–	17.0	–	17.0
Valuation movement recycled to Income Statement	–	–	–	–	22.5	–	22.5
Deferred tax charge on valuation movement recycled to Income Statement	–	–	–	–	(1.7)	–	(1.7)
Currency translation differences	–	–	(22.0)	–	–	–	(22.0)
Total comprehensive income for the period	–	–	(22.0)	–	(99.3)	37.1	(84.2)
Exercise of employee share options	0.8	–	–	–	–	–	0.8
Share-based payments	–	–	–	–	–	3.5	3.5
Shares issued for acquisitions	1.0	–	–	255.9	–	–	256.9
Return of cash to shareholders	(2.0)	–	–	–	–	(3,573.8)	(3,575.8)
Cost of shares purchased	–	(0.9)	–	–	–	–	(0.9)
At 30 June 2012	497.4	(2.6)	(29.0)	296.1	(207.2)	2,938.9	3,493.6

Section 1 – Basis of Preparation

1.1 Accounting Policies

a) Basis of Preparation

The half-yearly condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The disclosed figures are not statutory accounts in terms of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2012, on which the auditors gave an audit report which was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This half-yearly report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ended 31 December 2013, and uses the same accounting policies and methods of computation applied for the year ended 31 December 2012 other than changes to accounting policies resulting from the adoption of new or revised accounting standards.

Effective 1 January, Cairn have adopted the following standards:

– IFRS 13 'Fair Value Measurement'; (effective 1 January 2013)
– IAS 1 (amended) 'Presentation of Financial Statements'; (effective 1 January 2013)
– IAS 19 (revised) 'Employee Benefits'; (effective 1 January 2013)

The amendments to accounting policies will result in minor changes in disclosures within the notes to accounts in the year end financial statements but have no material impact on the results for the period. Other changes to IFRS effective 1 January 2103 have no impact on Cairn's accounting policies or financial statements.

Assets and Investments: Section 2 – Oil and Gas Assets

2.1 Intangible Exploration/Appraisal Assets

	North Atlantic Margin – Greenland $m	North West Europe – North Sea $m	Other Cairn Energy Group $m	**Total $m**
Cost				
At 1 January 2012	154.4	–	16.4	**170.8**
Foreign exchange	–	(14.6)	–	**(14.6)**
Acquisitions during the period	–	411.0	–	**411.0**
Additions	(17.0)	21.0	1.3	**5.3**
Unsuccessful exploration costs	12.8	(62.5)	(0.3)	**(50.0)**
At 30 June 2012	150.2	354.9	17.4	**522.5**
Foreign exchange	0.1	34.9	–	**35.0**
Acquisitions during the period	–	565.5	–	**565.5**
Additions	14.9	61.1	9.2	**85.2**
Disposals	(33.3)	–	–	**(33.3)**
Transfers to Property Plant & Equipment – Development/Producing Assets	–	(70.4)	–	**(70.4)**
Unsuccessful exploration costs	(6.7)	(96.5)	(5.5)	**(108.7)**
At 1 January 2013	125.2	849.5	21.1	**995.8**
Foreign exchange	–	(57.4)	(0.3)	**(57.7)**
Additions	(1.7)	83.2	20.4	**101.9**
Unsuccessful exploration costs	7.9	(55.7)	(12.5)	**(60.3)**
At 30 June 2013	**131.4**	**819.6**	**28.7**	**979.7**
Impairment				
At 1 January 2012 and 30 June 2012	74.9	–	15.1	**90.0**
Impairment	5.8	–	0.2	**6.0**
At 1 January 2013	80.7	–	15.3	**96.0**
Unsuccessful exploration costs	–	–	(11.1)	**(11.1)**
At 30 June 2013	**80.7**	**–**	**4.2**	**84.9**
Net book value at 30 June 2013	**50.7**	**819.6**	**24.5**	**894.8**
Net book value at 1 January 2013	44.5	849.5	5.8	899.8

The Group's North African, Mediterranean and Nepal assets are included in the 'Other' reportable segment.

Unsuccessful Exploration Costs

During the six month period to 30 June 2013 total unsuccessful exploration cost write-offs were $49.2m.

$55.7m of write-offs related to North Sea assets following the completion of the Timon well in February and the Frode well in June, neither of which led to commercial hydrocarbon discoveries.

In Greenland, settlement of the final disputed item relating to the 2011 drilling campaign led to a credit to unsuccessful costs of $10.8m, offsetting other unsuccessful costs written off in the period.

Finally, costs relating to the Group's Nepalese acreage have also been written-off following the decision to cease operations in this country. Related prior year impairments have also been released.

Assets and Investments: Section 2 – Oil and Gas Assets Continued

2.2 Property, Plant & Equipment-Development/Producing Assets

	North West Europe – North Sea $m	Total $m
Cost		
At 1 January 2012 and 30 June 2012	–	**–**
Transferred from Exploration/Appraisal assets	70.4	**70.4**
Foreign exchange	0.6	**0.6**
At 1 January 2013	71.0	**71.0**
Foreign exchange	(4.9)	**(4.9)**
Additions	12.2	**12.2**
Transfers to Assets held-for-sale	(56.2)	**(56.2)**
At 30 June 2013	**22.1**	**22.1**
Impairment		
At 1 January 2012 and 1 January 2013	–	**–**
Impairment	22.4	**22.4**
Foreign exchange	(0.3)	**(0.3)**
At 30 June 2013	**(22.1)**	**(22.1)**
Net book value at 30 June 2013	**–**	**–**
Net book value at 1 January 2013	71.0	71.0

Subsequent to 30 June 2013 Cairn has announced the agreement to sell the North Sea Mariner asset. Related costs have been transferred to assets held-for-sale as at 30 June 2013. Prior to re-classification, the asset was tested for impairment which resulted in the recognition of an impairment charge of $22.4m. Subsequently, costs of $56.2m were transferred to assets held-for-sale.

2.3 Assets and Liabilities Held-for-sale

As described in note 2.2, on 30 June 2013 the Mariner asset of $56.2m was re-classed as held-for-sale. The liabilities held-for-sale of $6.1m represent Cairn's share of accruals of the joint operation.

2.4 Capital Commitments

At 30 June 2013, the Group had capital commitments of $631.7m (30 June 2012: $150.0m; 31 December 2012: $430.6m) in relation to intangible exploration/appraisal assets predominantly in the North Sea.

Assets and Investments:
Section 3 – Financial Assets, Working Capital and Other Assets and Liabilities

3.1 Available-for-sale Financial Assets

	Listed equity shares $m
At 1 January 2012	**2,463.3**
Disposals	**(1,380.5)**
Surplus on valuation	**55.6**
At 1 January 2013	**1,138.4**
Deficit on valuation	**(182.8)**
As at 30 June 2013	**955.6**

The available-for-sale financial assets represent the Group's remaining strategic investment in the fully-diluted share capital of Cairn India, listed in India, which by its nature has no fixed maturity or coupon rate and is categorised as level 1 in the fair value hierarchy.

The minority holding of 10.3% is not held for trading and continues to be classified as available-for-sale. The fair value of $955.6m (31 December 2012: $1,138.4m) is based on the closing market value at 30 June 2013 of INR290.00 (31 December 2012: INR319.10).

At 30 June 2013 an impairment of $267.5m on the available-for-sale financial asset has been recycled from equity and recognised in the Income Statement due to the deficit on valuation since initial recognition in December 2011.

3.2 Net Funds

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods from overnight deposits to three months depending on the cash requirements of the Group. The bank loan represents amounts drawn under the Capricorn Norge AS revolving exploration loan facilities.

	At 30 June 2013 $m	At 30 June 2012 $m	At 31 December 2012 $m
Bank deposits	**2.3**	–	2.3
Cash and cash equivalents	**1,510.5**	932.8	1,586.3
Loans and borrowings	**(60.1)**	(6.0)	(29.6)
Net funds	**1,452.7**	926.8	1,559.0

3.3 Intangible Assets – Other

The $31.9m reduction in the carrying value of intangible assets – other to $457.4m at 30 June 2013 (31 December 2012: $489.3m) is predominantly due to foreign exchange movements of $33.3m arising on the translation of goodwill allocated to the North Sea operating segment.

Section 4 – Results for the Period

4.1 Segmental Analysis

Operating Segments

For management purposes, the operations of the Cairn Group are organised based on geographical regions. The Cairn Group's operations currently focus on new exploration activities in four key operating segments: North West Europe – North Sea, North Atlantic Margin – Greenland, Atlantic Margin – North Africa and the Mediterranean.

Geographical regions may be combined into regional business units. Each business unit is headed by its own regional director and management monitors the results of each separately for the purposes of making decisions about resource allocation and performance assessment.

North West Europe – North Sea

The corporate acquisitions in 2012, with primary interests in the UK and Norwegian North Sea, provide Cairn with a core platform for growth from organic near-term exploration appraisal and development activities, ultimately leading to sustainable cash flow.

North Atlantic Margin – Greenland

Cairn's Greenland assets have been the focus of much of the Group's exploration activity in recent years. Further exploration drilling is planned in 2014 subject to the necessary approvals being received.

Other

The Atlantic Margin – North Africa and Mediterranean operating segments results have been combined into the 'Other Cairn Energy' reportable segment together with the Group's remaining exploration and corporate assets.

During the six months to June 2013, Cairn's portfolio in the Atlantic Margin has increased with the farm-in to three contiguous blocks offshore Senegal. Subsequent to the period end, Cairn has also agreed to farm-in to acreage offshore the west of Ireland and to licences offshore Mauritania and has also agreed to farm-down the newly acquired acreage in Senegal to reduce the Group's financial commitment.

Non-current Assets

Non-current assets for segmental analysis consist of intangible exploration/appraisal assets; property, plant & equipment – development/producing assets; property, plant & equipment – other; and intangible assets – other.

The segment results for the six months ended 30 June 2013 are as follows:

	North West Europe – North Sea $m	North Atlantic Margin – Greenland $m	Other Cairn Energy Group $m	**Total $m**
Pre-award costs	(2.6)	(0.8)	(7.9)	**(11.3)**
Unsuccessful exploration costs	(55.7)	7.9	(1.4)	**(49.2)**
Depreciation	(0.2)	–	(0.5)	**(0.7)**
Amortisation	–	–	(1.0)	**(1.0)**
Other expenses and administrative expenses	(3.9)	0.2	(19.4)	**(23.1)**
Impairment of oil and gas assets	(22.4)	–	–	**(22.4)**
Operating (loss)/profit	**(84.8)**	**7.3**	**(30.2)**	**(107.7)**
Impairment of available-for-sale asset	–	–	(267.5)	**(267.5)**
Interest income	0.3	–	1.3	**1.6**
Interest expense	(1.0)	–	–	**(1.0)**
Other finance income and costs	0.7	0.7	0.6	**2.0**
(Loss)/profit before taxation	**(84.8)**	**8.0**	**(295.8)**	**(372.6)**
Taxation credit	79.0	–	74.5	**153.5**
(Loss)/profit after taxation	**(5.8)**	**8.0**	**(221.3)**	**(219.1)**
Segment non-current assets	**1,273.9**	**50.9**	**30.3**	**1,355.1**

Section 4 – Results for the Period Continued

4.1 Segmental Analysis Continued

The segment results for the six months ended 30 June 2012 were as follows:

	North West Europe – North Sea $m	North Atlantic Margin – Greenland $m	Other Cairn Energy Group $m	Total $m
Pre-award costs	–	(1.8)	(5.9)	(7.7)
Unsuccessful exploration costs	(62.5)	12.8	(0.3)	(50.0)
Gross (loss)/profit	(62.5)	11.0	(6.2)	(57.7)
Depreciation	(0.1)	(0.1)	(0.3)	(0.5)
Amortisation	–	–	(0.4)	(0.4)
Other income and administrative expenses	(2.4)	–	(15.7)	(18.1)
Operating (loss)/profit	(65.0)	10.9	(22.6)	(76.7)
Loss on disposal of available-for-sale financial asset	–	–	(45.1)	(45.1)
Interest income	–	–	3.7	3.7
Other finance income and costs	0.1	(0.5)	68.5	68.1
(Loss)/profit before taxation	(64.9)	10.4	4.5	(50.0)
Taxation credit	43.2	–	43.9	87.1
(Loss)/profit after taxation	(21.7)	10.4	48.4	37.1
Segment non-current assets	562.4	76.9	6.1	645.4

The segment results for the year ended 31 December 2012 were as follows:

	North West Europe – North Sea $m	North Atlantic Margin – Greenland $m	Other Cairn Energy Group $m	Total $m
Pre-award costs	(5.4)	(3.4)	(9.3)	(18.1)
Unsuccessful exploration costs	(159.0)	6.1	(5.8)	(158.7)
Depreciation	(0.6)	(0.1)	(0.8)	(1.5)
Amortisation	–	–	(2.0)	(2.0)
Other expenses and administrative expenses	(14.8)	(0.2)	(46.0)	(61.0)
Impairment	–	(5.8)	(0.2)	(6.0)
Operating loss	(179.8)	(3.4)	(64.1)	(247.3)
Loss on sale of available-for-sale asset	–	–	(81.5)	(81.5)
Interest income	1.2	–	4.9	6.1
Interest expense	(0.8)	–	–	(0.8)
Other finance income and costs	(0.9)	(0.2)	130.4	129.3
Loss before taxation	(180.3)	(3.6)	(10.3)	(194.2)
Taxation credit	122.3	–	144.5	266.8
(Loss)/profit after taxation	(58.0)	(3.6)	134.2	72.6
Segment non-current assets	1,407.3	44.7	10.9	1,462.9

Section 4 – Results for the Period Continued

4.2 Taxation on Loss

a) Analysis of Tax Credit

	Six months ended 30 June 2013 $m	Six months ended 30 June 2012 $m	Year ended 31 December 2012 $m
Current tax:			
Foreign Tax			
Refund of Norwegian exploration expenses	**(45.4)**	(5.5)	(39.4)
Withholding tax deducted at source	**–**	0.1	0.1
	(45.4)	(5.4)	(39.3)
Total current tax credit	**(45.4)**	(5.4)	(39.3)
Deferred tax:			
United Kingdom			
Temporary differences in respect of non-current assets	**(47.0)**	(30.0)	(64.4)
Losses	**8.5**	–	(10.6)
Other temporary differences	**–**	–	0.2
Norway			
Temporary differences in respect of non-current assets	**7.7**	(7.3)	(6.7)
Losses	**0.7**	(0.4)	(1.0)
Other temporary differences	**(3.5)**	–	(0.4)
India			
Temporary differences in respect of available-for-sale financial assets	**(74.5)**	(44.0)	(144.6)
Total deferred tax credit	**(108.1)**	(81.7)	(227.5)
Tax credit on loss	**(153.5)**	(87.1)	(266.8)

b) Income Tax Asset

The income tax asset of $103.0m (30 June 2012: $35.3m; 31 December 2012: $65.1m) represents Norwegian tax refunds.

c) Reconciliation to Deferred Tax Liabilities

	$m
At 1 January 2012	**(254.1)**
Deferred tax on fair value arising from business combinations	**(493.7)**
Credit to the Income Statement	**227.5**
Deferred tax credit on movement in fair value of available-for-sale financial assets recognised in other comprehensive income	**(9.7)**
Exchange difference arising	**(0.9)**
At 1 January 2013	**(530.9)**
Credit to the Income Statement	**108.1**
Deferred tax credit on movement in fair value of available-for-sale financial assets recognised in other comprehensive income	**(9.9)**
Exchange difference arising	**27.2**
At 30 June 2013	**(405.5)**

Section 4 – Results for the Period Continued

4.3 Earnings per Ordinary Share

Basic and diluted earnings per share are calculated using a loss of $219.1m (30 June 2012: profit of $37.1m; 31 December 2012: profit of $72.6m). The share data used in the computations is as follows:

	Six months ended 30 June 2013 '000	Six months ended 30 June 2012 '000	Year ended 31 December 2012 '000
Weighted average number of shares	**603,264**	708,306	655,140
Less weighted average shares held by ESOP and SIP Trusts	**(6,024)**	(471)	(2,187)
Basic weighted average number of shares	**597,240**	707,835	652,953
Dilutive potential ordinary shares:			
Employee share options	**402**	762	445
Diluted weighted average number of shares	**597,642**	708,597	653,398

Section 5 – Events After the Balance Sheet Date

5.1 Republic of Ireland Farm-in Agreement

Subsequent to the year end, the Government of the Republic of Ireland has approved Cairn's farm-in as Operator in two exploration licences (FEL 2/04 and FEL 4/08) and one licensing option covering 2,753km² in the Porcupine Basin offshore West of Ireland. Cairn will hold a 38% working interest in the licences.

Cairn has acquired a 38% Working Interest and Operatorship by paying a pro-rated share of back costs amounting to $4.1million and 63.33% of future exploration and appraisal costs for up to two wells, subject to a cap. Costs in excess of the cap will be shared by the parties according to their equity interests. Based on Cairn's estimate of the expected well cost, Cairn anticipates it will be contributing ~55% of the cost of each well.

5.2 Senegal Farm Down Agreement

Cairn has entered into a farm-down agreement with ConocoPhillips for three contiguous blocks located offshore Senegal, West Africa. Under the terms of the agreement, which is subject to Government of Senegal approval, ConocoPhillips will acquire a 25% working interest from Cairn in the three contiguous blocks – Rufisque, Sangomar and Sangomar Deep where a 2,050km² 3D seismic survey has been used to identify prospects.

Cairn will retain operatorship and 40% interest in the blocks during the exploration phase. Petrosen, the Senegal National Oil Company, will retain a 10% interest in the exploration phase. In the event of a commercial success, ConocoPhillips would have the option to operate the future development of the resource. ConocoPhillips will pay Cairn a payment inclusive of a portion of back costs on the blocks, along with promoted terms of future exploration expenditure.

5.3 Mauritania Farm-in Agreement

Cairn has also entered into a farm-in agreement with Chariot Oil & Gas Investments (Mauritania) Limited for a 35% non-operated interest in the C19 exploration block offshore Mauritania in West Africa. The block is currently held by Chariot (90% and Operator) and the Mauritanian state company 'Société Mauritanienne des Hydrocarbures' (SMH) (10%).

Under the terms of the farm-in agreement, which is subject to Government approval, Cairn will pay Chariot approximately $26 million for seismic and other back costs. Thereafter, exploration costs will be apportioned Cairn 38.89% (Working Interest (WI) 35%), Chariot 61.11% (WI 55%) and SMH 0% (WI 10%). If, before the end of the first phase of the licence (15 June 2015), Cairn were to increase its interest to greater than 50% then Chariot will support Cairn's application for operatorship of the block.

5.4 North Sea Asset Transactions

Cairn has agreed a series of North Sea asset transactions:

- A farm-in to Statoil's operated Norwegian North Sea production licence PL159C – Cairn WI of 18%
- A 10% farm down to Statoil of Cairn original 30% interest in UK licences P2040 and P2086 and a swap with TAQA Bratani for a 15% interest in these licences in exchange for Cairn's entire 20% interest in UK licence P1680 – Cairn revised WI in P2040 and P2086 will be 35%
- The acquisition from Premier Oil of a 20% interest in PL378/378B licences located in the Norwegian North Sea (immediately south south east of the existing Skarfjell licence).

All of these agreements are subject to approval from respective regulators in Norway and the UK.

Glossary

The following are the main terms and abbreviations used in this announcement:

Corporate

Board	the Board of Directors of Cairn Energy PLC
Cairn	Cairn Energy PLC and/or its subsidiaries as appropriate
Cairn India/CIL	Cairn India Limited and/or its subsidiaries as appropriate
Capricorn	Capricorn Oil Limited and/or its subsidiaries as appropriate
Company	Cairn Energy PLC
Group	the Company and its subsidiaries
JV	Joint Venture
OGP	Oil and Gas Producers

Technical

APA	awards in predefined area
2P	proven plus probable
3D	three dimensional
boe	barrel(s) of oil equivalent
boepd	barrel(s) of oil equivalent per day
DECC	Department of Energy and Climate Change
FDP	field development plan
mmbbls	million barrels of oil
mmboe	million barrels of oil equivalent
US$	US dollar
WI	working interest

Accounting

bn	billion
ESOP	Employee Share Ownership Plan
IAS	International Accounting Standards
INR	Indian Rupee
IFRS	International Financial Reporting Standards
m	million

Corporate Responsibility

CR	Corporate Responsibility
EIA	Environmental Impact Assessment
IBA	Impact Benefit Agreement
PCDP	Public Consultation and Disclosure Plan
SIA	Social Impact Assessment

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