



FOR IMMEDIATE RELEASE

20 January 2021

CAIRN ENERGY PLC
Pre-Close Update
("Cairn" or "the Company")

Ahead of announcing its preliminary results for the year to 31 December 2020 on 9 March 2021, Cairn today provides an update on its operations and trading performance together with guidance for 2021. This information is unaudited and subject to further review.

Simon Thomson, Chief Executive, Cairn Energy PLC said:

"Cairn enters 2021 with balance sheet strength and financial flexibility. The sale of the company's interests in Senegal and return of capital to shareholders demonstrates continued strategic delivery and differentiation. The company is well-positioned to be opportunistic in the current market as it seeks to diversify and grow its production base.

A significant milestone was achieved in December 2020 with a unanimous award in favour of Cairn in its arbitration with the Government of India under the UK-India Bilateral Trade Investment Treaty. We have engaged with the Government of India regarding adherence to the tribunal's ruling and are taking all necessary steps to protect our rights to the award.

The safety of our people and the people we work with remains at the forefront of our thinking against the backdrop of the ongoing global impact of COVID-19."

Production Highlights

- Combined 2020 oil production net to Cairn from the Catcher (Cairn 20% WI) and Kraken (Cairn 29.5% WI) fields averaged just over 21,000 bopd, in line with guidance
- Full year oil production, net to Cairn, for 2021 is estimated to be 16,000 – 19,000¹ bopd

Corporate and Finance Highlights

- Completion of sale of Senegal assets to Woodside with ~US\$250m to be returned to shareholders by way of special dividend
- The International Tribunal established to rule on Cairn's claim against the Government of India found unanimously in Cairn's favour and awarded damages of US\$1.2 bn plus interest and costs
- Group cash at year end was US\$570m, with no drawn debt
- Oil and gas sales revenue was US\$324m, at an average realised price of US\$42.23/boe (before hedging gains of US\$7.27/boe)
- Average production cost was US\$20/boe
- Capital expenditure from continuing operations during the year was ~US\$135m, in line with guidance
- Cash outflows in respect of capital activity, adjusting for working capital, totalled US\$160m (producing assets ~US\$35m, exploration and appraisal activities ~US\$125m)

- Capital expenditure for 2021 is currently forecast at ~US\$85m:
 - Kraken and Catcher expenditure of ~US\$10m
 - Exploration and appraisal expenditure of ~US\$75m, with drilling activity focused in the UK and Mexico
- To date, Cairn has hedged ~1m barrels of 2021 oil production: 0.5m barrels using swaps with a weighted average strike price of US\$45.20/bbl, and 0.5m barrels using three-way collar structures with weighted average ceiling, floor and sub-floor prices of US\$55.00/bbl, US\$48.27/bbl and US\$35.00/bbl respectively

Production

The North Sea production assets performed above expectations in the first half of 2020 with net production previously reported for H1 of ~22,400 bopd. Our full year production guidance was subsequently revised from the original range of 19,000 - 23,000 bopd to 21,000 - 23,000 bopd. Kraken continued to deliver strong performance throughout the rest of the year, however production from Catcher was constrained during the fourth quarter as previously outlined by the Operator due to the produced water plant being offline. Consequently, Cairn's full year net production was just over 21,000 bopd. Crude sales from both fields averaged close to the dated Brent benchmark pricing or better during the period.

Both fields are expected to enter into their natural decline phase during 2021, and our focus is therefore on arresting the underlying decline rate and potentially extending field life by maximising FPSO performance efficiency, process optimisation and maturing further drilling opportunities. The next step on Catcher will involve a new 4D seismic programme in 2021 to better define reservoir targets and potentially unswept oil, prior to a potential infill and satellite drilling programme incorporating some of the deferred activities from 2020. Additional potential in the Kraken field lies in the western flank where work continues.

Our current 2021 net production guidance range is 16,000 - 19,000 bopd, subject to ongoing discussions with the respective Operators regarding the timing and duration of planned shutdowns and understanding the impact of the ongoing gas injection trials on Catcher.

Senegal sale and return of cash to shareholders

Cairn completed the sale of its interests in Senegal to Woodside in December 2020. Cash received at completion was US\$525m, comprising the US\$300m acquisition consideration and a US\$225m reimbursement of expenditure incurred on the sale assets since 1 January 2020. A further payment of up to US\$100m will be payable to Cairn if certain conditions are met relating to the date of first production from the Sangomar development and the prevailing oil price at that time.

Cairn will pay a special dividend of 32 pence per eligible ordinary share, expected to be paid on 25 January 2021, amounting to a return of approximately US\$250m to shareholders.

On 7 January, the company completed a consolidation of Cairn's ordinary share capital reducing the number of Cairn's issued ordinary shares by an amount that reflects the value of the Return of Cash to Shareholders relative to the market capitalisation of Cairn prior to the Return of Cash.

India

In December, the tribunal established to rule on Cairn's claim against the Government of India under the UK-India Bilateral Investment Treaty found in Cairn's favour. The tribunal ruled unanimously that India had breached its obligations to Cairn under the Treaty and awarded to Cairn damages of US\$1.2 billion plus interest and costs, which are now payable.

Exploration

Cairn took early action in 2020 with significant reductions and deferrals to its planned capital programme to preserve liquidity in response to the changed market conditions. The flexibility of the exploration portfolio allowed the deferral of major capital projects without relinquishing any licences or acreage.

In 2021, Cairn is planning a drilling programme in both Mexico and the UK:

- In Mexico, operator Eni will drill an exploration well on Block 10 and there is an optional drilling opportunity for an appraisal well of the Saasken discovery (Cairn 15% WI)
- In the UK, Cairn will participate in the Shell-operated Jaws exploration well on P2380 (Cairn 50% WI)

In Côte d'Ivoire, Cairn has assumed Operatorship (90% WI) in blocks CI-301 and CI-302 from Tullow which has exited both licences. Cairn remains in the Tullow-operated CI-520 (30% WI). The JV has exited blocks CI-518, CI-519, CI-521 and CI-522 effective end December 2020 with all minimum work commitments fulfilled. The 2021 work programme for blocks CI-301 and CI-302 is focussed on completing the planned 2D seismic acquisition, once it is safe to do so.

Chair

Nicoletta Giadrossi became Chair of the Company on 1 January 2021, succeeding Ian Tyler. Nicoletta was one of the Company's existing non-executive directors and was first appointed to the Board in January 2017.

¹ FlowStream's production entitlement in 2020 averaged ~1,011 bopd and is expected to be ~400 to 470 bopd in 2021

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About Cairn Energy PLC

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

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

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

Glossary

bopd	barrels of oil per day
boe	barrels of oil equivalent
bbl	barrel of oil
bn	billion
FPSO	Floating Production Storage and Offloading vessel
m	million
mmbbls	million barrels
WI	working interest