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FOR IMMEDIATE RELEASE

9 MARCH 2021

CAIRN ENERGY PLC ("Cairn")

Proposed acquisition of production, development and exploration interests in the Western Desert, the Arab Republic of Egypt

Cairn, together with Cheiron (its consortium partner), is pleased to announce the proposed acquisition of a portfolio of upstream oil and gas production, development and exploration interests from Shell Egypt NV and Shell Austria GmbH (**Shell**) (the "**Assets**") in the Western Desert, onshore The Arab Republic of Egypt (the "**Transaction**" or the "**Acquisition**") for a purchase price of US\$646 million (US\$323 million net to Cairn), with additional contingent consideration of up to US\$280 million (US\$140 million net to Cairn) if certain requirements are met. Capricorn Egypt, a wholly owned subsidiary of Cairn, will acquire 50% of the Assets, with the remaining 50% acquired by Cheiron.

The Acquisition is in line with Cairn's strategy of seeking to grow, diversify and extend its production base. The portfolio offers low cost production, near-term development and exploration potential, provides immediate operating cashflow contribution and adjusts our overall hydrocarbon split towards gas.

Transaction Highlights

- Adds working interest 2P reserves of 113 mmbbl as at 31 December 2020
- Adds low-cost 2021 forecast working interest production of between 33,000-38,000 boepd with an opex/bbl of <US\$6/boe, with significant potential to increase production levels in future years
- Two-thirds of production from the Assets is gas weighted, adjusting Cairn's current hydrocarbon split towards gas
- Significant Cashflow from Operations (CFFO) contribution: average CFFO¹ for previous three reported years (2017 – 2019) was ~US\$140 million net to the interests being acquired by Cairn

¹ Cashflow from operations is a non-IFRS measure and excludes working capital movements. CFFO is presented in order for readers to understand the cash profitability.

- Enhances near-term growth opportunities with 2C contingent resources working interest of 49 mmboe as at 31 December 2020 to Cairn and significant exploration potential remaining
- Cairn, together with Cheiron, plans to finance the Acquisition with a new joint acquisition reserve-based lending facility of up to US\$350 million, joint junior debt facility of US\$100 million and existing cash on balance sheet
- The economic effective date of the Acquisition is 1 January 2020. Production for the assets being acquired averaged 83,000 boepd (Cairn working interest of 41,500 boepd) in 2020

Simon Thomson, Chief Executive of Cairn said:

"The proposed acquisition of Shell's Western Desert assets in Egypt is an important step in our strategic ambition to expand and diversify our producing asset base, bringing material reserve and production additions and offering significant exploration potential.

We are delighted to be entering a country that has significant oil and gas growth opportunities where the Government has created an attractive environment for inward investment. Our Joint Venture with established Egyptian operator Cheiron creates a strong partnership with extensive experience and complementary strengths across the upstream value chain."

Circular

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

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

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

Expected timetable of events

Publication of combined Circular (including the Notice of General Meeting) and the Form of Proxy and despatch to Shareholders	H1 2021
General Meeting	H1 2021
Expected date of Completion	H2 2021

Enquiries:Analysts/Investors

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

An 'on demand' version of the webcast will be available on the website as soon as possible after the event. This can be viewed on PC, Mac, iPad, iPhone and Android mobile devices.

Presentation

The results presentation slides will be available on the website from 7:00am GMT.

Conference call

You can listen to the results presentation by dialling in to a listen only conference call at 9am GMT using the below dial-in details.

Dial-in details:

UK, local: +44 (0)330 336 9125

Code: 2525120

Transcript

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

NOTES TO EDITORS

The information contained within this announcement is deemed by Cairn to constitute inside information as stipulated under the UK MAR. By the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain. The person responsible

for arranging for the release of this announcement on behalf of Cairn is Mr James Smith, Chief Financial Officer.

Disclaimers

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

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

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

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

Cautionary Note Regarding Forward-looking Statements

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

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

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

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

About Cairn Energy PLC

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

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

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

DETAILS OF THE TRANSACTION

1. Introduction

On 17 January 2020, Cairn and Cheiron formed a consortium for the purposes of evaluating the Transaction. Cheiron is a well-established and experienced operator in Egypt, and Cairn believes that it is a good strategic partner for Cairn in relation to the Transaction and Cairn's new country entry into Egypt.

Today, Capricorn Egypt, a wholly owned subsidiary of Cairn, together with Cheiron (its consortium partner, together, the "**Consortium**") entered into a conditional agreement dated 8 March 2021 to acquire the SENV Transferred Interests and the SAG Transferred Interests from Shell Egypt N.V. and Shell Austria Gesellschaft MBH (together, the "**Sellers**") their portfolio of upstream oil and gas

exploration, development and production interests in the Western Desert, onshore The Arab Republic of Egypt for a purchase price of US\$646 million (US\$323 million net to Cairn), to be adjusted for working capital and other customary adjustments between the economic effective date of 1 January 2020 and the Completion date, with additional contingent consideration of up to US\$280 million (US\$140 million net to Cairn) if certain requirements are met.

Under the terms of the SPA, each of Capricorn Egypt and Cheiron Oil & Gas Limited (together with certain Cheiron subsidiaries) will acquire a 50% share of the package of Sellers' interests.

The Transaction is conditional, inter alia, on the approval of the Minister of Petroleum and Mineral Resources in The Arab Republic of Egypt. In addition, the Transaction is of sufficient size relative to that of the Group to constitute a Class 1 transaction under the UK Listing Rules, and is therefore subject to the approval of Cairn's shareholders, by a simple majority of votes cast.

In addition, there are pre-emption rights outstanding for EGPC in relation to all Concessions and for Concession Contractors in relation to NEAG and AESW. If any of these pre-emption rights is exercised, the Consortium will not acquire the relevant Concessions as part of the Transaction.

2. **Asset highlights**

As noted above, Cairn will acquire 50% of the interests being sold by the Sellers, comprising 13 concessions (including five exploration concessions), with 21 development leases. The Sellers' gross working interest production from the concessions in 2020 averaged 83,000 boepd (37% liquid and 63% gas), with 226 mmbœ of gross working interest 2P reserves as at 31 December 2020 (41,500 boepd and 113 mmbœ in respect of the working interest 2P reserves as at 31 December 2020 to be acquired by Cairn pursuant to the Transaction).

The producing fields are split over four distinct areas, each with different characteristics and geographies: the Obaiyed Area; Badr El Din ("**BED**"); North East Abu Gharadig ("**NEAG**"); and Alam El Shawish West ("**AESW**").

In addition to near field exploration potential within the above development areas, the portfolio also includes material potential exploration upside, with significant upcoming activity in a number of concessions, as well as three newly awarded exploration blocks (South East Horus, West El Fayum and South Abu Sennan) in the "Onshore East" oil prone area. It is intended that Cairn shall be appointed operator of the three newly awarded exploration concessions.

Bapetco, a joint venture company currently owned 50:50 by the Sellers and the Egyptian General Petroleum Corporation ("**EGPC**"), is the operator of all of the producing concessions within the portfolio. Upon Completion of the Transaction, the interests to be acquired by Cairn (the "**Assets**") will be as follows:

Area	Concession & Exploration Blocks	Cairn working interest in Concession	Partners in Concession	Operating Company	Cairn working interest in Operating Company
Obaiyed Area	Obaiyed	50%	Cheiron (50%)	Obaiyed Petroleum Company	25%
	North Matruh	50%	Cheiron (50%)	Obaiyed Petroleum Company	25%
	North Um Baraka	50%	Cheiron (50%)	North Um Baraka Petroleum Company	25%
Badr El Din (BED)	Sitra	50%	Cheiron (50%)	Sitra Petroleum Company	25%
	BED	50%	Cheiron (50%)	Bapetco	25%
	BED 2 & 17	50%	Cheiron (50%)	Bapetco	25%
	BED 3	50%	Cheiron (50%)	Bapetco	25%
	North Alam El Shawish ("NAES")	50%	Cheiron (50%)	NAES Petroleum Company	25%
NEAG	NEAG Tiba and NEAG Extension	26%	Cheiron (26%); Apache Egypt (48%)	Tiba Petroleum Company	13%
AESW	AESW	20%	Cheiron (20%); NPIC (35%); Neptune (25%)	AESW Petroleum Company	10%

Abu Sennan	South Abu Sennan	50%	Cheiron (50%)	-	-
Horus	South East Horus	50%	Cheiron (50%)	-	-
El Fayum	West El Fayum	50%	Cheiron (50%)	-	-

3. Background to and Reasons for the Transaction

Cairn's strategy is to hold assets within the oil and gas life cycle in order to create, add and deliver value for stakeholders. The cash flow from production assets funds exploration, appraisal and development activity to deliver further value growth. Active portfolio management is central to this strategy, and following the disposal of its interests in Senegal, Cairn again demonstrated its commitment to returning significant capital to shareholders with a special dividend of US\$250 million paid to Shareholders on 25 January 2021.

In recent years, the Company has evaluated acquisition opportunities as it seeks to diversify and extend its production base. Cairn has remained disciplined and has focused on opportunities with low full-cycle break even economics which would create meaningful value for shareholders.

The acquisition of the Sellers' upstream interests in the Western Desert is consistent with the core strategic objectives of the Company: targeting assets with a sustainable production base across multiple fields that can be competitive and relevant against the backdrop of global energy transition. The Assets materially enhance and diversify Cairn's production base, provide immediate operating cashflow contribution, add a significant gas volume to the portfolio and provide attractive opportunities for near term growth. The key highlights are outlined below.

Material portfolio with strong and stable production levels

- The Sellers' gross working interest 2P reserves of 226 mmbbl (113 mmbbl in relation to the working interest to be acquired by Cairn) as at 31 December 2020 delivers significant additional scale to Cairn's reserve base.
- The portfolio consists of 21 development leases across 13 concessions with 83,000 boepd working interest production as at 31 December 2020 (41,500 boepd in respect of the working interest to be acquired by Cairn).
- Assets with a long production history and strong track record of reserves replacement, with the Sellers' gross working interest production averaging 92,000 boepd over the past 10 years.

Attractive new country entry into Egypt for the Company, in one of the most prolific basins in North Africa

- Significantly diversifies and prolongs Cairn's production base.
- One of the most competitive hydrocarbon regimes across the MENA region – favourable cost recovery and profit split across the Assets.
- Low cost of production: opex/bbl of ~US\$6/boe (year ended 31 December 2020).

Enhances the contribution of gas to the Cairn portfolio

- Two thirds of production from the Assets is gas.
- Gas is sold domestically to EGPC, largely at a fixed price.

Opportunity to reduce operational emissions and enhance ESG

- Well managed assets by EGPC and a global Major, which has ensured a high standard of asset, facility and well integrity with regular maintenance programmes completed a good uptime track record.
- It is the Consortium's intention to conduct a greenhouse gas (GHG) baseline survey to identify any uncertainties and help develop a GHG reduction plan, which is likely to include a target reduction in flaring, change in stationary combustion and potential elimination of venting, wherever possible.
- Investment in electrification is proposed to take place across some of the Assets which should result in significant reduction in flaring and replacement of some of the diesel generated power by fuel gas.
- Identified opportunities regarding waste and water management, welfare and national content.

Delivers immediate operating cashflow

- The average CFFO for previous three reported years (2017 – 2019) was ~US\$140 million net to Cairn.
- Fixed price gas sales reduce sensitivity to volatile global oil markets; oil and condensate export entitlement reduces risk of material receivables build-up.
- The Transaction will enable Cairn to continue to pursue transformational exploration across its global portfolio.

Near term growth options enhanced

- The Sellers' gross 2C working interest contingent resources of 99 mmboe (49 mmboe in relation to working interest to be acquired by Cairn).

- Opportunities identified to extend field life and increase recovery rates via infill drilling and facilities optimisation.
- Control and flexibility over timings of any future developments given Shell is currently the operator of all of the concessions within the portfolio, via Bapetco. Future investment decisions will be benchmarked against opportunities in Cairn's wider portfolio and adhere to its strict capital allocation policies.

Significant exploration potential remaining, with active near-term drilling programme

- The Western Desert remains a highly prospective oil and gas region.
- The Sellers' portfolio consists of 15,000km² of exploration acreage with more than 400 prospects² identified; growth prospects seen across conventional, deep oil & gas, carbonate and unconventional themes.
- 810 mmboe of gross unrisks exploration resource potential, with nine firm commitment wells and two seismic acquisition programmes.
- Infrastructure control and proximity enables short-cycle, low cost exploration tieback opportunities.

4. Summary of the key terms of the Transaction

The purchase price to be paid by the Consortium is US\$646 million, to be adjusted for working capital and other customary adjustments between the economic effective date of 1 January 2020 and the Completion date. Cairn's share of such purchase price is US\$323 million.

The Consortium will pay to the Sellers a deposit of US\$16 million (of which Cairn's share is US\$8 million) on 9 March 2021. In the event that the Transaction does not proceed to Completion, then such deposit shall be refundable in full by the Sellers, save in the event that such failure to complete the Transaction is due to the Consortium either being in material breach of its obligations under the SPA, or due to the failure to obtain the approval of EGPC, or due to the failure to obtain the approval of Cairn's shareholders (in which case the amount of the deposit to be forfeited shall not exceed 1% of Cairn's market capitalisation).

There may also be contingent consideration payable by the Consortium of up to US\$280 million (US\$140 million net to Cairn) if certain requirements are met, on the following basis:

- up to US\$200 million (US\$100 million net to Cairn) over the years 2021 to 2024, in four instalments (of up to US\$50 million gross per annum), subject to average annual dated Brent

² Resources estimates and number of prospects to drill are based on Shell estimates

price being above US\$55/bbl in each of 2021, 2022, 2023 and 2024, with full pay-out in each year achieved at US\$75/bbl or above, based on a linear scale; and

- up to US\$80 million (US\$40 million net to Cairn) based on the amount of commercially recoverable liquid hydrocarbons discovered in the first nine exploration wells drilled following signing of the Sale and Purchase Agreement. The amount to be paid is determined by a calculation of US\$0.4 per barrel of independently audited 2P reserves following the award of a Development Lease in respect of such discovery or discoveries, subject to the above cap.

While Capricorn Egypt and Cheiron are jointly and severally liable to the Sellers in respect of the obligations of the Consortium under the SPA, the parties have agreed in the Joint Management Agreement (JMA) to indemnify each other in respect of any liability to the Sellers borne by a party in excess of their 50% interest. In addition, the obligations of Capricorn Egypt and Cheiron to the Sellers under the SPA are guaranteed by Capricorn Oil and Cheiron Holdings, on a similar joint and several basis, but also subject to counter indemnification under the JMA.

5. **Financing the Acquisition**

Cairn plans to finance a significant proportion of its share of the consideration from its participation in a new Acquisition RBL Facility, a new debt finance facility to be entered into jointly with Cheiron.

Cairn plans to fund its share of the remaining cash balance from its share of the Junior Debt Facility as well as existing cash resources. Cairn's cash reserves totalled approximately US\$570m as at 31 December 2020.

Cairn understands that Cheiron plans to fund its share of the cash balance from a combination of the new Acquisition RBL Facility, the Junior Debt Facility and its existing cash resources.

New Acquisition RBL Facility

The Consortium plans to enter into a reserves based lending facility based on signed commitment letters with, among others, Société Générale (the "**Acquisition RBL**" Facility) pursuant to which the Acquisition RBL Lenders will make up to US\$175 million available to Cairn and up to US\$175 million available to Cheiron.

Junior Debt Facility

The Consortium plans to enter into a subordinated term loan facility agreement (the "**Junior Debt Facility**") based on signed commitment letters with BP Oil International Limited and Trafigura Ventures V B.V as lenders (the "**Junior Debt Lenders**") pursuant to which the Junior Debt Lenders will make up to US\$50 million available to Cairn and up to US\$50 million available to Cheiron.

6. **General Meeting**

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

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

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

Definitions

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

Apache Egypt	Apache Abu Gharadig Corporation LDC
Barrel or BBL	means that quantity of liquid hydrocarbons which, at fifteen (15) degrees Celsius and at a pressure of one (1) bar, occupies the volume of 0.158988 cubic metres and all references to "Barrels" shall be construed accordingly
Board	the board of directors of Cairn
Cairn	Cairn Energy PLC
Capricorn Egypt	Capricorn Egypt Limited
Capricorn Oil	Capricorn Oil Limited
Cheiron Holdings	Cheiron Holdings Egypt Limited
Completion	completion of the Transaction in accordance with the Sale and Purchase Agreement
Concession Contractors	Apache in relation to NEAG Concession and NPIC and Neptune in relation to AESW Concession
EGPC	Egyptian General Petroleum Corporation
FCA	the Financial Conduct Authority
General Meeting	the general meeting of Cairn to be convened to approve the Transaction
GHG	Greenhouse gas
Group	Cairn, its subsidiary undertakings and any other body corporate, legal entity, partnership or unincorporated joint venture in which Cairn or any of its subsidiary undertakings holds a participating interest (as such term is defined by section 1162 of the Companies Act 2006) from time to time and references to a "member of the Group" shall be construed accordingly
JV	joint venture

MAR or UK MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse or the new UK market abuse regime (UK MAR)
Neptune	Neptune Energy Alam El Shawish B.V.
NPIC	North Petroleum International Company S.A.
Pre-Emption Rights	the rights of pre-emption held by EGPC, Apache Egypt, North Petroleum International Company SA and Neptune in respect of any proposed assignment or transfer of a participating interest in relevant Concessions to a non-affiliated third party
Sale and Purchase Agreement	the sale and purchase agreement relating to the Transaction dated 8 March 2021
Sellers	Shell Egypt N.V. and Shell Austria Gesellschaft MBH
Shareholders	the holders of the ordinary shares of 21/13 pence each in the capital of Cairn
Transaction	the proposed acquisition of a portfolio of upstream oil and gas exploration, development and production interests from the Sellers