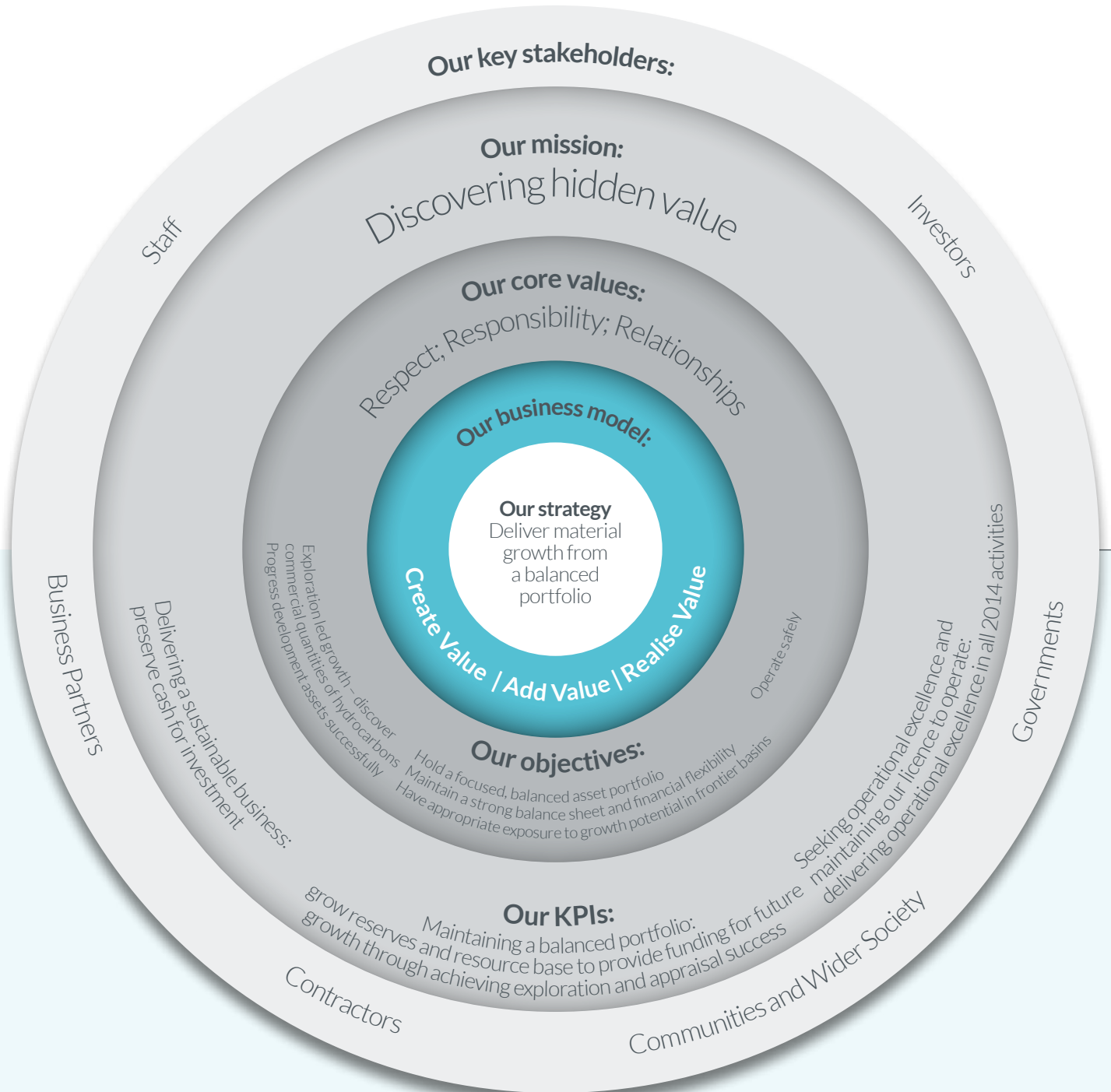


What Cairn's Business Model Is

Cairn creates, adds and realises value for shareholders

The diagram below represents Cairn's business. The outer circle reflects the environment in which Cairn works. Within the image, the Group's mission, philosophy, business model and strategy are captured as well as the objectives and measurements that the Group sets.



Cairn's business is constantly evolving to adapt to new opportunities and the competitive landscape. The strategy is to focus efforts on frontier exploration opportunities which offer potential for growth within a balanced sustainable portfolio.

Cairn's success stems from being pioneers and partners. The Group focuses on identifying assets that are capable of providing significant and sustainable growth and capturing appropriately sized equity positions on attractive terms. The Group maintains a balanced portfolio with frontier exploration and mature basin exploration, plus development projects which provide free cash flows in the medium term.

Cairn's growth model is to create, add and realise value within a sustainable self funding business.



Create Value

Cairn seeks to create value in a number of ways: by acquisition of new assets or by securing farm-in transactions at appropriate equity levels to offer growth potential; early stage participation and entry into frontier basins; and through successful exploration and development of hydrocarbon finds. Examples of this were the successful farm-ins to acreage offshore Senegal, Republic of Ireland, Mauritania and Morocco*.

* Subject to Government of Morocco approval.

Add Value

Cairn does this through optimising existing assets, seeing hidden value in assets that others may have overlooked, and through asset swaps and exchanges. Examples of this in 2013 were:

- The farm-in to the acreage offshore Senegal which Cairn undertook at the beginning of the year. Cairn subsequently farmed down part of its interest in this acreage to ConocoPhillips who, in the event of exploration success, have the option to operate the future development;
- Multiple North Sea asset swaps to hone and optimise the mature basin portfolio and increase acreage around existing discoveries.

Realise Value

Cairn has a proven track record of realising value for shareholders, whether this be from bringing exploration successes to production and subsequent free cash flow or by selling assets. Proceeds can be either reinvested in the business, creating a virtuous cycle, or returned to shareholders. Cairn is careful to maintain a strong balance sheet which can fund the Group's exploration programmes that offer growth opportunities. As a result of the Mariner transaction and the Company's commitment to realising value, Cairn entered into a programme to repurchase up to US\$300m of ordinary shares in the Company to be reviewed quarterly.