



WE FUEL AMAZING



INVESTING FOR GROWTH

Cairn India Annual Report 2013-14

218,651

Average daily gross operated production (boepd)

US\$ 3.1 billion

Revenue in FY2014

US\$ 3.8 billion

Cash & Cash equivalent

> US\$ 4 billion

Gross contribution to the exchequer in FY2014

31

Discoveries in Rajasthan to date

Cairn India is the world's fastest-growing energy company* with 218,651 boepd of average operated production in FY2014. We combine a world-class asset portfolio with proven expertise across exploration, development and production. We deliver best-in-class production growth with one of the lowest operating costs to create significant value for all stakeholders. During FY2014, we made significant achievements in our exploration activities paving the way for exploration led growth opportunities.

* Platts, 2012 & 2013

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Management Speak



MANAGEMENT SPEAK

Chairman's Statement

I am pleased to address you again after the completion of another year of significant progress and landmark achievements across our portfolio. Your Company, for the second year in a row, is rated as the world's fastest-growing energy company.

We have continued to be a significant contributor not only to the Indian exchequer, but also to the social and economic fabric of the communities in the areas of our operations.

The achievement of another year of growth should be seen against the backdrop of a weaker international and domestic economy. Whilst India's GDP growth rate slowed to sub 5% levels, oil import bill, equivalent to ~8% of GDP, continues to exert significant pressure on the current account deficit. Cairn India continues to play a key role in helping India close this crucial gap and in meeting its energy needs by operating oil and gas production worth over US\$ 7.5 billion. Our operated crude volumes constituted approximately 30% of domestic oil production.

Despite the transformation that has taken place in the Indian economy in recent decades, over three quarters of the country's basins remain under-explored and the lion's share of the discoveries made to date have been within only six of the country's 26 basins. With a third of India's basinal areas yet to be offered for exploration activity and over 130 billion barrels of resource categorised as 'yet to find', Cairn India is ideally placed to be able to play its part in helping the country take advantage of this vast unclaimed prize.

The Company has contributed over INR 240,000

million (~US\$ 4 bn) in taxes, profit petroleum and royalties in FY2014. Over the past three years the figure is in excess of INR 550,000 million (~US\$ 10 bn), something that few other businesses can claim.

During the year once again our production rose with average daily gross operated production increasing by 6% to 218,651 boepd. As a result our revenues reached a record high of INR 187,617 million (US\$ 3.1 bn) and profit after tax was INR 124,318 million (US\$ 2.1 bn).

We will not rest on our laurels despite these results and our focus remains on investing today for further value accretive growth for tomorrow. To that end we are committed to an investment of US\$ 3 billion for our three year capital expenditure programme. This is primarily aimed at maximizing the economic value from existing production and adding to future production by expanding the Company's resource and reserves base through active exploration and development.

In order to fully optimise the Rajasthan development, it will become increasingly

important to deploy the most innovative technology in our work programmes. A clear example of this is the importing of the very latest techniques being used in North America to maximise recovery from our own tight reservoirs in the planned hydraulic fracturing programme on the Barmer Hill formation.

Similarly, in order to truly maximise the full economic potential of our Rajasthan assets, over time we plan to employ one of the world's largest Enhanced Oil Recovery programmes. This of course represents a significant undertaking requiring substantial capital investment.

However, due to the nature of the assets, we firmly believe it is the right approach and will ultimately lead to the Company's growth thereby enabling India to benefit from the full potential of our acreage in Rajasthan. With much of the Rajasthan block still unexplored, it will be fuelling India for many years to come.

Leveraging the gas potential of the Rajasthan block is a priority for Cairn India. Gas from the basin, represents a unique opportunity to establish Rajasthan as a major player in the Indian natural gas market. We see this as being a key growth area, with the potential to be a significant part of the Company's overall production mix in the years to come. The gas market in India is an attractive market to operate in and as we work to develop the existing gas discoveries in the Barmer Basin, we are also working towards creating an appropriate infrastructure to support this.

Exploration is at the core of our growth strategy as we remain focused on the rapid replacement and growth of our reserves, thus leading to long term sustainable value creation. Our exploration approach is firmly based on a portfolio of potentially high reward prospects right across the spectrum of risk. Since we resumed our exploration activities a little over a year ago, the Company has been highly active with the drill bit,

already targeting 50% of the total gross prospective resource base of over half a billion boe.

The technical capability of the Cairn India team is clearly further borne out by the fact that of 17 exploration wells drilled to date, 14 have shown hydrocarbons. This is a testament not only to the team but also to the high quality hydrocarbon region that we have been entrusted to develop. Five new play types have been opened up and the Rajasthan block discovered resource base has increased by over one billion boe in-place, in addition to the more than four billion existing barrels.

The pace of exploration activity increased with the deployment of additional rigs and this industry leading momentum is fully expected to continue throughout the year ahead and beyond.





Beyond Rajasthan, we have once again seen a solid contribution from both the Cambay (CB) and Ravva blocks in the west and east of India respectively.

Both assets remain as good examples of Cairn India's ability to provide a compelling return on investment. Third party tolling is continuing at CB and ultimate recovery at Ravva is expected to near 50% from the existing producing zones, which is a world class performance by any standard.

Exploration activity in the Krishna-Godavari basin, within the offshore Ravva and onshore KG-ONN-2003/1 blocks, also holds significant potential future value.

Following a discovery in KG-ONN-2003/1, Cairn India is progressing well with an appraisal programme and Field Development Plan in order to enable commerciality of the discovery, expecting first oil in 2017.

Alongside our significant operational progress, I am pleased to report that Cairn India has continued to place Health, Safety and Environment (HSE) at the heart of the way it does business. To that end we have ramped up our exploration and development activities whilst still maintaining the highest standards of care regarding HSE.

I am happy to inform you that Cairn India ranks amongst the top quartile global exploration and production companies for its HSE track record. This is no reason for complacency and we are constantly challenging ourselves and seeking ways to improve further.

None of these achievements would have been possible without the excellent quality of your Company's employees. I thank them for their teamwork, dedication and determination to keep delivering better results across all metrics.

In this context, on behalf of your Board of Directors, I would like to express our appreciation for the contribution made by P. Elango, who was the interim CEO and who resigned on 2 May 2014 after many years of great service to Cairn India. We look forward to continuing to work with Sudhir Mathur, who has stepped into the role.

Our activities, be they in Rajasthan or elsewhere in India and other parts of the world, succeed because of the support and cooperation that we receive from numerous government ministries and agencies, state-held and private sector enterprises, non-governmental organisations and local communities. On behalf of all of us in Cairn India, I thank them for their unswerving support.

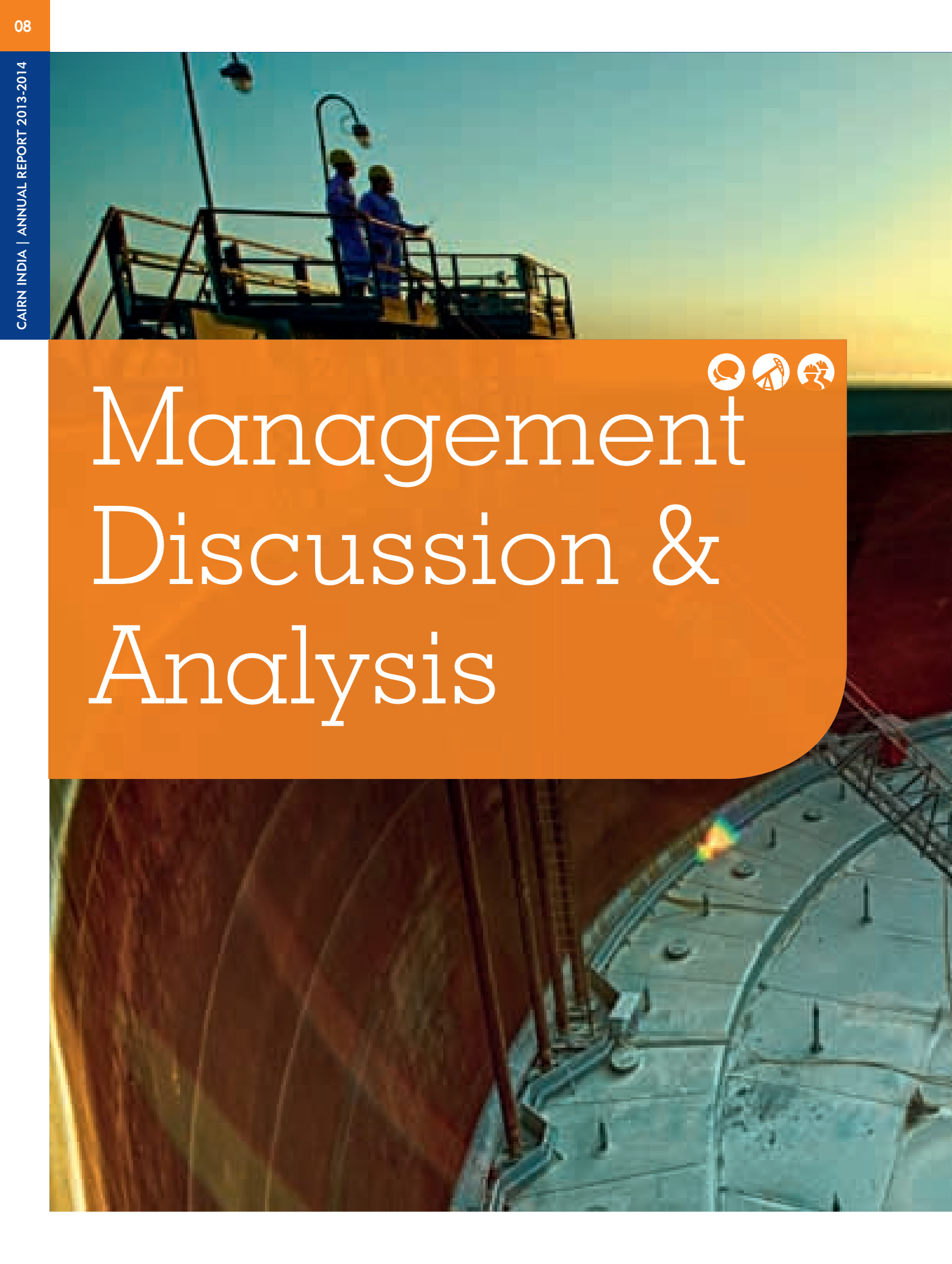
With a balanced portfolio, world-class assets, a strong balance sheet and self-funded capital expenditure programme driven by a highly skilled and dedicated workforce, Cairn India remains well positioned for being a trusted provider of future energy supply for India and delivering broader success for all stakeholders in the future.

I thank you for your support.

Navin Agarwal
Chairman



Leveraging
the gas
potential
of the
Rajasthan
block is a
priority for
Cairn India



Management Discussion & Analysis

