



For Immediate Release

23 January 2018

CAIRN ENERGY PLC
Operational Update
("Cairn" or "the Company")

Cairn intends to announce its preliminary results for the year to 31 December 2017 on Tuesday 13 March 2018. In advance of these results, Cairn is providing an update on recent operations and the Group's trading performance in 2017 together with guidance for 2018. This information is unaudited and is subject to further review.

Simon Thomson, Chief Executive, Cairn Energy PLC said:

"Over the last twelve months, Cairn has achieved several strategic milestones and is well positioned to deliver on its strategy in 2018. Both the Kraken and Catcher developments in the UK North Sea have delivered first oil production. In Senegal, Cairn completed a successful third phase of drilling with the joint venture now targeting development approval for the world class SNE field by the end of 2018.

This year, we will begin a sustained drilling campaign in the UK and Norway where Cairn has built an extensive portfolio. We also expect development sanction for the Skarjell discovery in the first half of the year.

Cairn is funded in respect of all capital commitments with a strong balance sheet and growing production cash flows. We continue actively to assess and pursue new ventures within the context of a balanced exploration and production portfolio. We are excited by the potential of the recently awarded blocks offshore Mexico where we anticipate the start of exploration drilling in 2019."

UK

- The Catcher (Cairn 20% working interest (WI)) and Kraken (Cairn 29.5% WI) developments in the UK North Sea both achieved first oil in 2017 and are ramping up to plateau production, following which they are expected to deliver significant cash flows for reinvestment.
- First oil from the Catcher Area development was successfully delivered in late December. The Operator has reported that the first two production wells from the field have been tested at rates in excess of 20,000 barrels of oil per day (bopd) each, in-line with expectations and reflecting the high productivity from initial flush production. As planned, production levels are being held at ~20,000 bopd while commissioning of the full gas processing modules and the water injection systems on the FPSO are carried out. Production will continue to ramp up in phases over the next few months with full production of 60,000 bopd targeted in H1 2018. Total project capex is forecast by the Operator to be ~30% less than the original project sanction estimate.



- First oil from Kraken was achieved during H1 2017. On the basis of current well performance and subject to continued progress on plant uptime, the Operator expects production to reach 50,000 bopd gross during H1 2018. Full cycle gross Kraken project capex is forecast to be ~25% less than the original sanctioned project cost.
- Full year production, net to Cairn, for 2018 is estimated to be 17,000 to 20,000 bopd with plateau production from Catcher and Kraken achieved by mid-year.

Senegal

- SNE field (Cairn 40% WI) appraisal and concept select definition are concluding for the first phase of development of the extensive resource base. The JV aims to have a Government-approved exploitation plan in place by the end of 2018 with a target of first oil in 2021-2023.
- The field exploitation plan will cover the development of the entire SNE resource base estimated at 563 million barrels of oil (mmbbls)*.
- The first phase of the development is expected to have an initial well count of up to 25 wells, targeting ~240 mmbbls, principally in the S500 lower reservoir with an initial target plateau range of 75-125,000 bopd.

*ERC Equipoise Limited (ERCE) estimate

Norway

- An extensive exploration drilling campaign is underway for 2018/19, with plans to drill up to ten wells,* targeting >1.5 boe gross unrisked resources across a variety of play types in the UK and Norway, including the Barents Sea.
- Cairn was awarded non-operated interests in four licences in the Norwegian Sea and North Sea following APA 2017 awards in January 2018.
- The Skarfjell (Cairn 20% WI) JV plan for development and operation (PDO) is anticipated in H1 2018, with first oil targeted in 2021 and expected plateau production of 50,000 bopd (~10,000 bopd net to Cairn). Skarfjell is a light oil development which offers significant potential in adjacent acreage. It is situated in the northeastern North Sea, ~20 km southwest of the Gjøa platform and ~130 km northwest of Bergen. Based on the proposed plan, hydrocarbons from the Skarfjell reservoir will be developed with two subsea templates tied back to the Gjøa platform for processing and export. Gjøa will also provide lift gas to the field and water injection for pressure support. Skarfjell has been renamed Nova by the Operator and the development will be known as such in future.

*Subject to partner approval

Mexico

- Cairn secured two new licences in the Mexico offshore bid round in H1 2017. The licences, one operated and one non-operated, are located in the highly prolific yet under-explored Sureste basin. Cairn anticipates exploration drilling to commence in 2019 on both blocks.



Corporate and Finance

- Cairn offloaded its first Kraken cargo of ~386,000 barrels (net of the Flowstream 4.5% share) in Q4 2017 recording revenue of ~US\$20m. Pricing of Kraken crude relative to Brent is strengthening as the market is established.
- The first cargo of Catcher oil has been pre sold at a premium to Brent.
- Group net cash at 31 December 2017 was ~US\$56m, comprising cash balances of ~US\$86m and drawings under the Norway Exploration Finance Facility of US\$30m. The Reserves Based Lending (RBL) bank facility was undrawn at year end with expected peak availability of US\$350-400m, of which US\$200m was available at year end 2017.
- Capital expenditure for H2 2017 was ~US\$205m, principally comprising ~US\$75m development expenditure and ~US\$130m exploration, appraisal and new venture expenditure. A ~US\$30m exploration rebate in respect of previous Norwegian E&A activity was received in H2 2017. At 31 December 2017, remaining cash outflows in respect of activities undertaken in 2017 are expected to be ~US\$35m.
- Forecast Kraken and Catcher development expenditure for 2018 is ~US\$125m; and currently committed E&A expenditure for 2018 is estimated at ~US\$75m. Outstanding Norwegian exploration rebate receivables are ~US\$35m.
- Having moved into production, Cairn has commenced a hedging programme in order to protect debt capacity and support committed capital programmes. To date, Cairn has hedged ~2m barrels of 2018 oil production using collar structures with a weighted average floor price of US\$58.4/bbl.

Cairn India

- International arbitration proceedings are well advanced with the final hearing of Cairn's claim under the UK-India Bilateral Investment Treaty scheduled for August 2018. The Tribunal has stated that it will make appropriate arrangements to progress with the drafting of the award as expeditiously as possible after the final hearing.
- Cairn is currently unable to access the value in its ~5% shareholding in Vedanta Limited, valued at ~US\$1.1billion at 31 December 2017 or accrued dividend payments due of US\$104m.



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NOTES TO EDITORS

Cairn is one of Europe's leading independent oil and gas exploration and development companies and is listed on the London Stock Exchange. Cairn has discovered and developed oil and gas reserves in a variety of locations around the world.

Cairn's business operations are now focused on frontier exploration acreage in North West Europe, North West Africa and the North Atlantic, underpinned by interests in development assets in the North Sea. Cairn has its headquarters in Edinburgh, Scotland supported by operational offices in London, Norway, Senegal and Mexico.

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