



19 June 2017

CAIRN ENERGY PLC

(“Cairn” or “the Company” or “the Group”)

India tax dispute - clarification

Cairn is issuing an update on the India tax dispute. In March 2017 Cairn announced that it had received confirmation from the Government of India (GoI) via the international arbitration tribunal that dividends of US\$53 million (m) due from Cairn India Limited (CIL) were no longer restricted, and Cairn requested the immediate release of that sum from CIL.

On 9 June 2017, the tribunal issued a formal order memorialising the numerous confirmations from the GoI that the dividends were no longer restricted and authorising that order to be provided to CIL (now named Vedanta Limited (VIL) following the merger of CIL and VIL).

However, on 16 June 2017 the Indian Income Tax Department (IITD) issued an order to VIL directing it to pay any sums that were due to Cairn to the Government of India. Sums due to Cairn from VIL now total US\$104m, including historical dividends of US\$53m and a further dividend of US\$51m after the merger of CIL and VIL.

Notwithstanding this action by the GoI, international arbitration proceedings are progressing in respect of the Group’s claim under the UK-India Bilateral Investment Treaty (the Treaty). Cairn is seeking full restitution for Treaty breaches resulting from the expropriation of its investments in India in 2014, the attempts to enforce retrospective tax measures and the failure to treat the Company and its investments fairly and equitably.

Cairn has a high level of confidence in its case under the Treaty and, in addition to resolution of the retrospective tax dispute, its claim seeks damages equal to the value of the Group’s residual shareholding in CIL at the time it was attached (approximately US\$1 billion). The seat of the arbitration is The Hague in the Netherlands and final hearings for the tribunal are scheduled for January 2018.

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NOTES TO EDITORS

Cairn UK Holdings Limited (“CUHL”), a direct subsidiary of Cairn Energy PLC, is in receipt of an assessment order from the IITD relating to the intra-group restructuring undertaken in 2006 prior to the IPO of CIL in India, which cites a retrospective amendment to Indian tax law introduced in 2012. Cairn strongly contests the basis of this attempt to retrospectively tax the Group for an internal restructuring.

The assessment order is in the amount of INR102billion (bn) (approximately US\$1.5bn) plus interest back dated to 2007 totalling INR188bn (approximately US\$2.8bn). The total assets of CUHL comprise the Group's 9.8% shareholding in CIL, which has now been converted to a shareholding in VIL and any recovery by the Indian authorities would be limited to such assets.

Cairn commenced international arbitration proceedings in 2015 against the Republic of India under the UK-India Bilateral Investment Treaty (the Treaty), on the basis that India's actions have breached the Treaty by (1) expropriating Cairn's property without adequate and just compensation, (2) denying fair and equitable treatment to Cairn in respect of its investments and (3) restricting Cairn's right to freely transfer funds in connection with its investment. Based on detailed legal advice, Cairn is confident that it will be successful in such arbitration.

The seat of arbitration has been agreed as The Hague in the Netherlands and Cairn filed its Statement of Claim in June 2016 which clearly demonstrates that applying the retrospective amendment to Cairn and seizing US\$1bn worth of CIL shares was in breach of the Treaty obligations of fair and equitable treatment and its protections against expropriation. The Republic of India's Statement of Defence was filed in February 2017 with evidential hearings now expected to take place in January 2018.

Cairn has asked the arbitration panel either to order India to withdraw its unlawful tax demand and compensate Cairn for the harm suffered by the seizure of the CIL shares, being not less than US\$1.1bn (plus costs); or, if the tax demand remains in place, compensate Cairn for the quantum of the tax assessment and the harm suffered by the seizure of the CIL shares, being together not less than US\$5.6bn (plus costs).

About Cairn Energy PLC

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 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 and Senegal.

Cairn and Corporate Responsibility

- Cairn is a signatory to the UN Global Compact and our core values of respect, responsibility, relationships and our commitments towards people, the environment and society are enshrined in our Business Principles, which are available on the Cairn website at <http://www.cairnenergy.com/index.asp?pageid=282>
- Cairn became a participating company in the Extractive Industry Transparency Initiative (EITI) in September 2013. The EITI is a coalition of governments, companies and civil society, who have adopted a multi-stakeholder approach to applying the EITI global standard promoting transparency of payments in the oil, gas and mining sectors <http://eiti.org/>

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