

Adding value through exploration



"The first half of 2002 was characterised by strong financial results and an intensive programme to develop the commercial potential of our recent exploration successes. During the second half we intend to concentrate operational activities on our acreage in Western India and are planning a multi-well drilling programme both offshore Gujarat and onshore Rajasthan.

I am also pleased to announce Cairn's acquisition of Shell India's 50% interest in Rajasthan Block RJ-ON-90/1. We anticipate significant additional hydrocarbon potential in this area and with a 100% interest, will now be accelerating exploration and appraisal drilling on the block."

Bill Gammell, Chief Executive

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FINANCIAL

- > Average production 21,272 boepd (H1 2001: 19,962 boepd)
- > Average price received per boe \$20.01 (H1 2001: \$22.54 per boe)
- > Turnover £53.7m (H1 2001: £56.8m)
- > Profit after tax £15.6m (H1 2001: £22.8m)
- > Operating cash flow £39.8m (H1 2001: £40.2m)

OPERATIONAL

- > Acquisition of remaining 50% interest in Block RJ-ON-90/1 onshore Rajasthan
- > Lakshmi gas development progressed - first gas Q3/Q4 2002
- > Oil discovery at Lakshmi on Block CB/OS-2 offshore Gujarat in Western India
- > Gauri gas field on Block CB/OS-2 declared commercial
- > Significant progress made in technical analysis of Krishna-Godavari Basin deep water potential offshore Andhra Pradesh in Eastern India

Chairman's Statement

Overview

Cairn has consistently sought to add and realise value for its shareholders through exploration success. This focus on exploration has been further defined by concentrating on a single geographic region - the Indian subcontinent. Amongst the international oil companies, Cairn has developed a pre-eminent industry position in this region. The Group has material exploration and production interests in Bangladesh and both the west and east coasts of India. Demand for energy in India remains unfulfilled; the Group's interests in India and Bangladesh are strategically placed to assist in the supply of this large and growing energy market.

Cairn's strategy of seeking to add shareholder value through exploration was successfully rewarded during 2001 and the first half of 2002 by the Group making ten hydrocarbon discoveries. Of these, four (Gauri, Ambe, Parvati and Lakshmi oil) were made offshore in the shallow water depths of Gujarat Block CB/OS-2 and one (Saraswati) was made onshore in Rajasthan Block RJ-ON-90/1. The other five discoveries were all made in deep water offshore Andhra Pradesh in the Krishna-Godavari Basin Block KG-DWN-98/2. The discoveries have the potential to add significantly to the Group's existing proved plus probable booked reserves.

A subsequent technical and commercial evaluation to rank the Group's discoveries has prioritised Saraswati, Lakshmi oil and Gauri gas, all located in Western India, as the projects closest to commerciality in the near term. Further technical evaluation of the discoveries in Eastern India is required prior to additional drilling in the Krishna-Godavari Basin deep water.

I am pleased to announce that the Group has agreed to acquire Shell India's 50% interest in Block RJ-ON-90/1 onshore Rajasthan. Cairn has also secured a three year extension to the exploration term of the block, on which there have been two previous oil discoveries (including the potentially commercial Saraswati discovery). This key acquisition reflects Cairn's view that significant additional hydrocarbon potential exists on the block. As a consequence of this transaction Cairn is now able to focus on an accelerated exploration and appraisal drilling programme on the block. This initial programme is due to commence in Q4 2002 and will comprise appraisal drilling on Saraswati, an exploration well in the Greater Saraswati area and an additional exploration well on the central basin high.

The Lakshmi gas field on Block CB/OS-2 offshore Western India is under development, with first gas expected Q3/Q4 2002. In addition, Cairn has received formal Government approval of the commerciality of the Gauri gas field and intends to proceed to further delineate and develop Gauri gas. Development wells on Gauri will be deepened to appraise the oil reservoirs.

Oil zones beneath Lakshmi were discovered in April 2002 and flowed at a cumulative rate of 10,446 bopd on test. A three well appraisal drilling campaign to determine the commerciality of Lakshmi oil is scheduled for Q4 2002/Q1 2003. If successful, this campaign is expected to lead to an initial development with one or two horizontal wells before proceeding with a full development. The oil zones discovered beneath the gas reservoirs at Gauri could also potentially form another separate development.

Further exploration and appraisal drilling will be required to evaluate the overall oil and gas potential on Block CB/OS-2. The Directors believe that significant oil potential could exist not only beneath Lakshmi and Gauri, but on the block as a whole. Particular emphasis will be placed on exploring the eastern portion of the block, where thicker reservoirs are known to occur. A seismic survey is planned over this area in Q1 2003 with the expectation that this will form the basis for a multi-well onshore exploration programme in 2003 and 2004.

In the Krishna-Godavari Basin offshore Eastern India the Group made five hydrocarbon discoveries in 2001. A detailed technical evaluation of these discoveries has been ongoing in the first half of 2002 to assess the potential for commercial volumes and to highlight additional potential in nearby prospects. An exploration and appraisal drilling programme is planned for 2003/2004 on Blocks KG-DWN-98/2 and KG-OS/6, subject to the results of the technical evaluation.

Cairn's strategy is to add to its Indian portfolio by acquiring promising exploration acreage on attractive terms. The Group has bid for further exploration acreage in the third round of India's New Exploration Licensing Policy, which closed on 28 August 2002. The results of the bid round are expected to be announced by the end of 2002.

Annual offtake from the Sangu gas field in Bangladesh has risen steadily since it commenced production in 1998. However, offtake continues to be below the field's production capacity, indicating a saturated domestic market. This year has seen a stabilisation in payments for Sangu gas and a long term contractual dispute has been settled via an expert procedure in the joint venture's favour. Export of gas from Bangladesh continues to be discussed at the political level and a Government decision is awaited.

Results and Financial Performance

Near record levels of production and a sustained strong product price environment have enabled Cairn to progress the Lakshmi gas development without compromising the Group's robust financial position.

Average daily production was 21,272 boepd representing a 7% increase year on year (H1 2001: 19,962). The average oil price realised for the first half of 2002 was \$20.01 per boe compared with \$22.54 per boe for the equivalent period in 2001.

As a result of the lower average oil price realised, turnover decreased by 5% year on year to £53.7m (H1 2001: £56.8m). The Group generated a profit before tax of £20.6m (H1 2001: £32.7m). Average production costs for the period were £3.70 per boe (H1 2001: £3.80 per boe).

Key Statistics

	H1 2002	H1 2001	% Increase/(Decrease)
Production (boepd)	21,272	19,962	7
Average price per boe (\$)	20.01	22.54	(11)
Turnover (£m)	53.7	56.8	(5)
Average production costs per boe (£)	3.70	3.80	(3)
Profit before tax (£m)	20.6	32.7	(37)
Profit after tax (£m)	15.6	22.8	(32)
Operating cash flow (£m)	39.8	40.2	(1)

Chairman's Statement (continued)

Payments for Sangu gas remain six months in arrears. The net amount currently overdue to Cairn is £26.4m.

Average cost of sales were £6.58 per boe, up 18% on the same period last year (H1 2001: £5.60 per boe) due largely to an increased depletion charge as a consequence of booking Lakshmi reserves.

Administrative expenses for the period were £6.1m (H1 2001: £5.3m). Net interest payable was £1.2m (H1 2001: net receivable £1.3m), including a foreign currency exchange loss of £0.1m (H1 2001: gain of £0.4m).

The results include an exceptional write-down of £0.8m relating to the reversal of a prior conditional transfer of the Group's interest in Papua New Guinea.

A tax charge of £5.0m (H1 2001: £9.9m) arises on profits in India and the UK. The tax charge includes a credit of £5.1m resulting from a reduction in the effective rate of tax in India from 48% to 42%. The tax charge also includes a £1.8m charge for H1 2002 and a prior year adjustment of £9.5m as a result of the move to full provisioning pursuant to FRS 19 Deferred Taxation.

Profit after tax and exceptional items for the period was £15.6m (H1 2001: £22.8m).

The Group's operating cash flow remained strong over the period at £39.8m (H1 2001: £40.2m). Cash outflow from capital expenditure during the first half totalled £54.7m (H1 2001: £56.3m), the majority of which was development spend in respect of the Lakshmi gas field.

As a consequence of the capital expenditure undertaken, the Group had drawn \$88.6m under its existing facilities as at 30 June 2002, resulting in

Group net debt of £49.4m at the half year (H1 2001: net cash £4.3m). This represents gearing of 15%.

Operations

INDIA

Eastern India - KG Basin

Production

Ravva (Cairn 22.5% and operator)

Average gross daily production from Ravva for the first half of 2002 was 51,391 bopd and 66 mmscfd (H1 2001: 46,600 bopd and 25 mmscfd).

In May 2002 the Ravva joint venture completed an exploration well (RX-7) in the extreme north-east of the block. The well encountered oil shows in the early Miocene section and a drill stem test was conducted, however no flow of formation fluids was established and the well was plugged and abandoned. The results of the well have been integrated into the 3D seismic interpretation over the entire block. This interpretation has identified a large number of leads and prospects of which 18 have been high graded for further evaluation. Further exploration drilling is anticipated in 2003/2004.

Exploration

Block KG-DWN-98/2

(Cairn 100% and operator)

During 2001, Cairn completed a very successful initial exploration programme on this deep water block, achieving five hydrocarbon discoveries from five exploration wells drilled in the Plio-Pleistocene age turbidite reservoirs. These comprised the "N" and "R" (Annapurna) gas discoveries and the "P" (Kanaka Durga), "M" (Padmavati) and "Q" oil and gas discoveries. The "Q" well encountered only a thin oil and gas column but extended the occurrence of known oil further into the offshore basin.

Cairn's technical team is reviewing and evaluating the data acquired in last year's successful drilling programme and, subject to the results of the technical review, it is anticipated that further exploration/appraisal wells will be drilled in the KG Basin during 2003/2004.

Block KG-OS/6 (Cairn 50% and operator)

The Government of India has approved a one year extension to the current exploration phase of the block, effective from 30 June 2002. Following this approval, the Group plans to conduct further exploration drilling during 2003/2004, subject to the results of the technical review.

Western India

Block CB/OS-2, Cambay Basin

Cairn holds a 75% exploration interest and is operator for the CB/OS-2 joint venture, which includes TATA (15%) and ONGC (10%). ONGC has a right to increase its stake by 30% in the event of a commercial discovery on the block and has exercised this right in respect of the ring-fenced Lakshmi development area. The equity holdings for the Lakshmi development area are therefore Cairn 50%, TATA 10% and ONGC 40%.

Exploration

(Cairn 75% and operator)

Exploration drilling by the joint venture on this block has resulted in five hydrocarbon discoveries since 2000 - Lakshmi gas, Lakshmi oil, Gauri (gas and oil), Ambe (gas and oil) and Parvati (oil). The Lakshmi oil discovery was made in April 2002 and flowed at a cumulative rate of 10,446 bopd on test. Current oil in place estimates for Lakshmi oil are between 100 and 300 mmbbls, with estimated mean recoverable reserves of approximately 66 mmbbls. Further appraisal drilling to delineate the potential oil development area beneath the Lakshmi gas field is planned to commence in Q4 2002, with a possible view to implementing an early oil production system.

The Gauri gas field was declared commercial July 2002 and ONGC has subsequently exercised its 30% back in right in respect of Gauri. It is considered that some of the Gauri reservoirs are in communication with the adjacent producing Hazira field, operated by Niko. Current recoverable reserve estimates for Gauri gas are in the 60 to 200 bcf range. Development plan options, anticipating an initial 40 mmscfd plateau are under consideration by the joint venture.

Oil has also been discovered beneath the gas reservoirs at Gauri, for which further appraisal will be required to evaluate the potential. This can be achieved as part of the gas development drilling programme planned for 2003.

A seismic survey is planned in the east of Block CB/OS-2 early in 2003. Further exploration drilling in the east and west of the block will also be required to evaluate the overall oil and gas potential.

Lakshmi Development Area and GSCs (Cairn 50% and operator)

The development of the Lakshmi gas field is nearing completion, with first gas expected in Q3/Q4 2002.

Two GSCs were signed by the CB/OS-2 joint venture in May 2001 with GPEC and GGCL respectively, for the sale of gas from Lakshmi into the industrialised Gujarat market. The Lakshmi facilities will initially have a maximum processing capacity of 150 mmscfd of sales gas.

The two GSCs are specific to Lakshmi and exclude the other gas discoveries on the block, namely Gauri and Ambe. Cairn anticipates additional gas sales arrangements being entered into in due course in respect of these other discoveries.

Chairman's Statement (continued)

**Block RJ-ON-90/1, Rajasthan Basin
(Cairn 100% and operator)**

Cairn has reached agreement with Shell India to acquire its 50% working interest in Rajasthan, thereby increasing Cairn's interest to 100%, subject to required approvals. The RJ-H-1 exploration well drilled near the basin flank in November 2001 flowed at a cumulative rate of 2,020 bopd from two separate intervals. Initial estimates for the discovery, named Saraswati, put mean recoverable reserves of oil at approximately 34 mmbbls. Appraisal drilling on the Saraswati structure is planned for Q4 2002. In addition, a number of leads and prospects have been identified in the basin and Cairn plans to commence exploration drilling in Q4 2002.

ONGC has a right to a 30% equity interest in the event of a commercial discovery on the block, which if exercised would mean that Cairn's interest in any development area would reduce from 100% to 70%.

New Exploration Licensing Policy - Third Bid Round (NELP-III)

Cairn has submitted bids for further exploration acreage pursuant to the third round of India's New Exploration Licensing Policy, which closed on 28 August 2002. There were 27 acreage blocks on offer in NELP-III and awards of these blocks are expected to be made by the end of 2002.

BANGLADESH

Production

Sangu Development Area

(Shell Bangladesh operator, Cairn 37.5%)

During the first half of 2002, gross daily offtake from the Sangu gas field averaged 135 mmscfd (H1 2001: 144 mmscfd). The realised gas price for the period was \$2.92/mcf (H1 2001: \$2.91/mcf).

Notwithstanding the lower average for H1 2002, annual production from the field has risen steadily since its inception in 1998 and this trend is expected to continue.

Sangu has the capacity to supply 250 mmscfd although production is constrained by local demand. As a consequence, daily offtake fluctuates significantly as the field is being used by Petrobangla as a swing producer to balance supply shortfalls elsewhere in the Bangladeshi system.

Exploration

Block 16

(Shell Bangladesh operator, Cairn 50%)

The operator is continuing discussions with Petrobangla and the Government of Bangladesh regarding an extension of the final exploration period.

Block 15

(Shell Bangladesh operator, Cairn 50%)

The operator is continuing discussions with Petrobangla and the Government of Bangladesh regarding entering the final extension of the exploration period.

Blocks 5 and 10

(Shell Bangladesh operator, Cairn 45%)

Cairn and Shell Bangladesh signed PSCs for Blocks 5 and 10 in July 2001 and each hold a 45% interest in these blocks, the remaining 10% being held by Bapex. It has been agreed with the Government of Bangladesh that, for the first five years following signature, commitment exploration wells will not have to be drilled on the blocks until the joint venture opines that there is a demonstrable market for any gas that may be discovered.

NORTH SEA

The Group holds small non-operated producing interests in the Gryphon field in the UK North Sea and several producing interests in the Netherlands North Sea. Average net production for these two areas during the first half of 2002 was 3,117 boepd (H1 2001: 2,987 boepd). Value continues to be added to these interests through a combination of incremental developments and third party tariff agreements.

The Gryphon co-venturers have reached agreement with the operators of the Maclure and Tullich fields to route production from both fields via a tieback to the Gryphon floating production, storage and offloading facility. Third party production through Gryphon from Maclure commenced in July and Tullich in August.

In the Netherlands North Sea the P/6-D satellite gas field commenced production from a single development well in October 2001, with gas being evacuated to the P/6 main platform. In addition, the Markham gas field derives third party tariff income from the neighbouring Windermere, K/4a-D and K/1a fields.

Reserves

The Group's proved plus probable booked reserves at 30 June 2002 were 97 mmmboe on a net entitlement basis (equivalent to 132 mmmboe on a working interest basis), with 95% of these reserves located in the Indian subcontinent. In comparison, proved plus probable booked reserves at 30 June 2001 were 89 mmmboe on a net entitlement basis and 124 mmmboe on a working interest basis.

Outlook

The outlook for the second half of 2002 is positive from both an operational and financial perspective. The Group will continue to focus on opportunities which the Directors believe have the potential for material shareholder value addition and will prioritise further exploration, appraisal and development activity accordingly.

With the Lakshmi gas field due onstream later this year, the Group will also benefit from additional production and the resulting revenues.

Board of Directors

Norman Lessels CBE retired as Chairman and as a Non-Executive Director at the Annual General Meeting on 1 May 2002. Mr Lessels had been a Director of Cairn for 13 years and Chairman for 10 years. I would like to take this opportunity to thank him on behalf of all of the Directors for his excellent guidance and significant contribution to the Board during his tenure.



Norman Murray

Chairman
2 September 2002

Consolidated Profit and Loss Account (Unaudited)

For the six months to 30 June 2002

	Notes	Six months to 30 June 2002 £'000	Six months to 30 June 2001 £'000	Year ended 31 December 2001 £'000
Turnover		53,669	56,788	107,427
Cost of sales				
Production costs		(13,956)	(13,616)	(24,708)
Depletion		(10,848)	(6,317)	(20,704)
Decommissioning charge		(233)	(201)	(225)
Gross profit		28,632	36,654	61,790
Administrative expenses		(6,062)	(5,290)	(10,406)
Operating profit		22,570	31,364	51,384
Exceptional write-down of oil and gas assets		(787)	—	—
Profit on ordinary activities before interest		21,783	31,364	51,384
Interest receivable and similar income		366	1,786	1,835
Interest payable and similar charges		(1,573)	(465)	(1,193)
Profit on ordinary activities before taxation		20,576	32,685	52,026
Taxation on profit on ordinary activities				
- current		(1,527)	1,874	(3,601)
- deferred		(3,447)	(11,766)	(14,815)
		(4,974)	(9,892)	(18,416)
Profit for the period		15,602	22,793	33,610
Earnings per ordinary share - basic	1	10.79p	15.82p	23.29p
Earnings per ordinary share - diluted	2	10.72p	15.68p	23.10p

Notes:

1. The basic earnings per ordinary share is calculated on a profit of £15,602,000 (H1 2001: £22,793,000) on a weighted average of 144,625,284 (H1 2001: 144,066,040) ordinary shares.
2. The diluted earnings per ordinary share is calculated on a profit of £15,602,000 (H1 2001: £22,793,000) on 145,481,560 (H1 2001: 145,360,613) ordinary shares, being the basic weighted average of 144,625,284 (H1 2001: 144,066,040) ordinary shares and the dilutive potential ordinary shares of 856,276 (H1 2001: 1,294,573) ordinary shares relating to share options.
3. No dividend has been declared.

Consolidated Statement of Total Recognised Gains and Losses (Unaudited)

For the six months to 30 June 2002

	Notes	Six months to 30 June 2002 £'000	Six months to 30 June 2001 £'000	Year ended 31 December 2001 £'000
Profit for the period		15,602	22,793	33,610
Unrealised foreign exchange differences		(12,573)	10,406	3,924
Total recognised gains and losses relating to the period		3,029	33,199	37,534
Prior year adjustment	1	(9,465)		
Total gains and losses recognised since last Annual Report		(6,436)		

Reconciliation of Movements in Shareholders' Funds (Unaudited)

For the six months to 30 June 2002

	Notes	Six months to 30 June 2002 £'000	Six months to 30 June 2001 £'000	Year ended 31 December 2001 £'000
Total recognised gains and losses relating to the period		3,029	33,199	37,534
New shares issued in respect of employee share options		806	596	1,044
Total movements during the period		3,835	33,795	38,578
Opening shareholders' funds	2	326,390	297,277	297,277
Closing shareholders' funds		330,225	331,072	335,855

Notes:

1. Prior year adjustment relates to the change in accounting policy arising from the implementation of FRS19 Deferred Taxation.
2. The opening shareholders' funds at 1 January 2002, before deducting the prior year adjustment of £9,465,000, were £335,855,000. The opening shareholders' funds at 1 January 2001, before deducting the prior year adjustment of £5,605,000, were £297,277,000.

Consolidated Balance Sheet (Unaudited)

As at 30 June 2002

	As at 30 June 2002 £'000	As at 30 June 2001 £'000	As at 31 December 2001 £'000
Fixed assets			
Exploration assets	217,233	227,809	212,262
Development/producing assets	200,459	125,683	186,365
Other fixed assets	1,949	2,322	2,167
Investments	5,582	4,061	3,473
	425,223	359,875	404,267
Current assets			
Debtors	35,053	55,462	73,646
Cash at bank	9,380	11,375	5,927
	44,433	66,837	79,573
Creditors: amounts falling due within one year	37,130	51,871	96,403
Net current assets/(liabilities)	7,303	14,966	(16,830)
Total assets less current liabilities	432,526	374,841	387,437
Creditors: amounts falling due after more than one year	39,764	—	—
Provisions for liabilities and charges	12,510	8,224	12,159
Deferred taxation	50,027	35,545	39,423
Net assets	330,225	331,072	335,855
Capital and reserves - equity interests			
Called-up share capital	14,882	14,780	14,817
Share premium	74,294	73,142	73,553
Capital reserves - non distributable	50,487	50,487	50,487
Capital reserves - distributable	35,254	35,254	35,254
Profit and loss account	155,308	157,409	161,744
Shareholders' funds	330,225	331,072	335,855

Note:

The disclosed figures are not statutory amounts in terms of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2001, on which the auditors gave an unqualified report, have been filed with the Registrar of Companies.

Consolidated Statement of Cash Flows (Unaudited)

For the six months to 30 June 2002

Notes	Six months to 30 June 2002 £'000	Six months to 30 June 2001 £'000	Year ended 31 December 2001 £'000
Net cash inflow from operating activities	39,782	40,172	64,883
Returns on investments and servicing of finance			
Interest received	366	1,394	1,844
Interest paid	(1,051)	(279)	(700)
	(685)	1,115	1,144
Taxation	(1,718)	5,012	1,711
Capital expenditure and financial investment			
Purchase of exploration assets	(17,297)	(41,704)	(77,310)
Purchase of development/producing assets	(33,455)	(14,121)	(37,722)
Purchase of other fixed assets	(461)	(489)	(1,139)
Purchase of fixed asset investments	(3,439)	—	—
Sale of fixed asset investments	—	—	102
Sale of other fixed assets	—	29	29
	(54,652)	(56,285)	(116,040)
Equity dividends paid	—	—	—
Net cash outflow before use of liquid resources and financing	(17,273)	(9,986)	(48,302)
Management of liquid resources	1		
Cash on short term deposit	(2,135)	4,631	9,932
Financing			
Issue of shares	806	596	1,044
Debt draw-downs	19,952	7,112	39,962
	20,758	7,708	41,006
Increase in cash in the period	1,350	2,353	2,636

Note:

1. Short term deposits of less than one year are disclosed as liquid resources.

Reconciliation of Operating Profit to Operating Cash Flows (Unaudited)

For the six months to 30 June 2002

	Six months to 30 June 2002 £'000	Six months to 30 June 2001 £'000	Year ended 31 December 2001 £'000
Operating profit	22,570	31,364	51,384
Depletion and depreciation	11,359	6,911	21,985
Decommissioning charge	230	201	225
Amortisation of long term incentive plan	1,280	1,309	1,948
Exceptional write-down of oil and gas assets	(787)	—	—
Working capital movement	5,792	(2,076)	(9,119)
Other provisions	404	791	(1,128)
Gain on sale of other fixed assets	—	(6)	(5)
Foreign exchange differences	(1,066)	1,678	(407)
Net cash inflow from operating activities	39,782	40,172	64,883

Independent Review Report to Cairn Energy PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2002 which comprises Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds, Consolidated Balance Sheet, and Consolidated Statement of Cash Flows. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The Interim Report, including the financial information contained therein is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information', issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

Ernst & Young LLP

Edinburgh
2 September 2002

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Glossary of Terms

The following are the main terms and abbreviations used in the Chairman's Statement:-

Corporate

Bapex	Bangladesh Exploration Petroleum Co. Ltd.
Cairn	the Company and/or its subsidiaries as appropriate
GGCL	Gujarat Gas Company Limited
GPEC	Gujarat Powergen Energy Corporation Limited
Niko	Niko Resources Ltd.
ONGC	Oil & Natural Gas Company Ltd. (Indian state oil and gas company)
Petrobangla	Bangladesh Oil, Gas & Mineral Corporation (Bangladesh state oil and gas company)
Shell Bangladesh	Shell Bangladesh Exploration and Development B.V.
Shell India	Shell India Production and Development B.V.
TATA	TATA Petrodyne Limited
The Board	the Board of Directors of Cairn Energy PLC
The Company	Cairn Energy PLC
The Group	the Company and its subsidiaries

Technical

2D	two dimensional
3D	three dimensional
bcf	billion cubic feet
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
GSC	Gas Sales Contract
km	kilometres
km ²	square kilometres
/mcf	per thousand cubic feet of gas
mmbbls	million barrels of oil
mmscf	million standard cubic feet of gas
mmscfd	million standard cubic feet of gas per day
PSC	Production Sharing Contract

Note:

This Report contains forward looking statements that reflect Cairn's expectations regarding future events. Forward looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors including the uncertainties relating to oil and gas exploration and production and sale of oil and gas.



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