



Highlights

FINANCIAL

- > Record production of 30,625 boepd (H1 2002: 21,272 boepd)
- > Average price received per boe \$22.44 (H1 2002: \$20.01 per boe)
- > Profit before tax up 86% to £38.4m (H1 2002: £20.6m)
- > Profit after tax up 69% to £26.3m (H1 2002: £15.6m)
- > Operating cash flow up 59% to £63.2m (H1 2002: £39.8m)
- > Gearing at 4% (H1 2002: 15%)

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OPERATIONAL

- > Extensive exploration, appraisal and development campaign ongoing in India
- > Gauri gas development progressed and Gauri GA-3 well tested oil at 5,270 bopd
- > Saraswati appraisal and testing programme commenced
- > Two further rigs contracted for multi-well exploration programme in Rajasthan
- > Proposed acquisition of Shell's upstream assets in Bangladesh
- > Five new exploration blocks in Nepal under negotiation

Bill Gammell, Chief Executive, commented:

"The first half of 2003 was characterised by record production, strong financial results and continuous operations focused on advancing the commercialisation of our interests in Gujarat and Rajasthan.

The Gauri gas development is progressing on schedule with gas production expected to commence in the first half of 2004 and an extensive exploration and appraisal drilling programme in Rajasthan is underway. The proposed acquisition of Shell's upstream assets in Bangladesh will provide Cairn with significant additional reserves, production and revenues from the Sangu gas field.

Cairn continues to be confident in the investment potential of South Asia."

Chairman's Statement

Record levels of production, buoyant product prices and

Overview

Cairn's declared strategy is to achieve commercial reserves from material positions in high potential exploration plays in order to create and deliver shareholder value. This strategy is further defined by concentrating our efforts and activities on South Asia, where the Group holds significant exploration and production positions in both India and Bangladesh.

During the first half of 2003 Cairn's operational activity has been predominantly focused in Western India on its oil and gas interests in Gujarat and Rajasthan.

Gujarat

In Gujarat, the Lakshmi gas field has been on production since November 2002 and the Gauri gas development project is progressing well with first gas production expected in the first half of 2004. Development drilling at Gauri has been successfully integrated with a plan to appraise the underlying oil reservoirs in the field. Four gas development wells were drilled, one of which (GA-3) tested oil at a rate of 5,270 bopd in August 2003. The GA-3 well has now been re-designated as an oil producer and a replacement gas well (GA-5) is currently operating.

In addition, three appraisal wells were drilled on the Lakshmi field during the first half of 2003 to evaluate further the oil potential. A phased development programme for Gauri and Lakshmi oil is being considered with initial oil production from one or two wells to be flowed through the gas system. Subsequent oil development phases will depend on the success of these wells.

An onshore exploration prospect has emerged from the evaluation of the 2003 seismic survey acquired in the eastern part of Block CB/OS-2. It is planned to drill this onshore prospect, which lies only a few kilometres from the Suvali processing plant, in late 2003 or early 2004. The seismic also confirmed a

likely small extension of the Gauri field north of the Hazira block and options for drilling this extension are currently under consideration.

Rajasthan

In Rajasthan, Cairn's extensive exploration and appraisal programme continues at pace. Over 30 additional exploration prospects have been identified on Block RJ-ON-90/1 following seismic interpretation. Cairn has contracted two medium depth drilling rigs for a minimum period of one year to accelerate the multi-well drilling campaign on the block.

An exploration well is currently operating on prospect N-Q, which has deep targets and is located ten kilometres to the west of the existing Saraswati discovery. The well has already encountered and logged hydrocarbons at a relatively shallow depth out-with structural closure in what appears to be a stratigraphic trap. Importantly, the previous Raageshwari and Guda discoveries also found hydrocarbons at this shallow level. There is the potential for a large stratigraphic play across much of the central part of the basin and this play concept will be tested by new exploration and appraisal drilling.

Cairn also commenced an extended well test on the Saraswati field in August 2003. The first interval to be tested (the Fatehgarh) was flowed for thirteen days at an average stabilised rate of 470 bopd with no water and the produced oil was sold at the wellhead. The second interval (the Barmer Hill), which previously tested at 1,400 bopd, will also be the subject of an extended well test to be carried out in September 2003.

KG Basin

In Eastern India, the Ravva field continues to produce on plateau and two exploration wells are planned on Ravva during 2004, subject to partner approvals. An exploration well on Block KG-OS/6 is planned for late 2003 to re-drill prospect 6, subject

low production costs

to confirmation of an extension to the final exploration phase of the block. Cairn continues to seek a partner for Block KG-DWN-98/2.

Nepal

In July 2003 Cairn submitted bids on a 100% basis for five exploration blocks in Nepal. These bids have been accepted and are under negotiation. All of the blocks are located within the Terai plains that lie adjacent to Nepal's border with India.

Transactions

Cairn's operational achievements this year have been significantly augmented by two recent corporate transactions firstly to significantly increase the Group's position in Bangladesh and secondly to dispose of the Group's non-core Dutch interests.

Cairn announced in early August 2003 that it had entered into a non-legally binding Letter of Intent with Shell to acquire its upstream interests in Bangladesh. The acquisition remains subject to shareholder approval and the consent of the Government of Bangladesh. This key transaction is expected to provide strong financial returns to the Group as well as materially enhancing shareholder value. Production from the Sangu gas field continues to increase and averaged 156 mmscfd during the first half of 2003, excluding a 15 day shut-in period.

Cairn also disposed of its interests in the Dutch sector of the North Sea to Dyas B.V. during August 2003. The disposal of these interests will further reduce borrowings and provide the Group with additional working capital to progress projects in its core area of South Asia.

Results and Financial Performance

Record levels of production, buoyant product prices and low production costs have contributed to strong cash flow and profitability during the period which, combined with low levels of gearing, continue to ensure that the Group has a robust financial base to support its extensive operational activities.

Average daily production was a record 30,625 boepd representing a 44% increase year on year (H1 2002: 21,272). The average oil price realised for the first half of 2003 was \$22.44 per boe compared with \$20.01 per boe for the equivalent period in 2002.

Turnover increased by 46% year on year to £78.6m (H1 2002: £53.7m). The Group generated a profit before tax of £38.4m (H1 2002: £20.6m). Average production costs for the period were £2.49 per boe (H1 2002: £3.70 per boe).

Average cost of sales were £6.11 per boe, down 7% on the same period last year (H1 2002: £6.58 per boe)

Key Statistics	H1 2003	H1 2002	% Increase/ (Decrease)
Production (boepd)	30,625	21,272	44
Average price per boe (\$)	22.44	20.01	12
Turnover (£m)	78.6	53.7	46
Average production costs per boe (£)	2.49	3.70	(33)
Profit before tax (£m)	38.4	20.6	86
Profit after tax (£m)	26.3	15.6	69
Earnings per share - diluted (p)	17.9	10.7	67
Operating cash flow (£m)	63.2	39.8	59
Gearing (%)	4	15	(73)

Chairman's Statement

Exploration, appraisal and development activity continues

due to an overall reduction in production costs per boe, which is partially offset by an increased depletion charge following the transfer of certain historic exploration costs to the depletable cost pool.

Administrative expenses for the period were £5.3m (H1 2002: £6.1m). Net interest payable was £1.0m (H1 2002: £1.2m), including a foreign currency exchange loss of £0.2m (H1 2002: £0.1m).

The majority of the £12.1m tax charge (H1 2002: £5.0m) arises on profits in India. Profit after tax for the period was £26.3m (H1 2002: £15.6m).

The Group's operating cash flow was very strong over the period at £63.2m (H1 2002: £39.8m). Cash outflow from capital expenditure during the first half totalled £39.5m (H1 2002: £54.7m), comprising £19.0m exploration expenditure, £20.0m development expenditure and £0.5m other expenditure.

As a consequence of the capital expenditure undertaken, the Group had drawn \$47.5m under its existing facilities as at 30 June 2003, resulting in Group net debt of £12.8m (H1 2002: £49.4m). This represents gearing of 4% at 30 June 2003.

Operations

India

Western India

Production

Lakshmi & Gauri Developments, Block CB/OS-2 (Cairn 50% and operator)

The Lakshmi gas field commenced production in November 2002 and average sales from the field for the first half of 2003 were 106 mmscfd.

Development of the neighbouring satellite Gauri gas field is progressing according to schedule. The

offshore Gauri jacket was installed in April and the development drilling programme is almost complete.

Gas production from Gauri is expected to commence in the first half of 2004 via the Lakshmi gas gathering system. Gauri gas can therefore be sold under the existing gas sales contracts with GTCL and GPEC in respect of Lakshmi. In addition, the plateau period of the gas sales contract with GPEC has been extended from three years to five years.

Exploration and Appraisal (Cairn 75% and operator)

The Gauri gas development drilling programme incorporated the deepening of development wells in order to appraise the underlying oil reservoir. In particular, the GA-3 well discovered oil bearing sands which subsequently tested at 5,270 bopd. As a consequence, this well has been re-designated as an oil producer and a replacement gas development well, GA-5, is currently operating.

On Lakshmi, three oil appraisal wells were drilled during the first half of 2003 in the extreme north and west of the field. The results of these wells have indicated the presence of numerous oil reservoirs with gas caps but have highlighted the complexity of the reservoirs.

A phased oil development programme for Gauri and Lakshmi is currently being considered with initial production from the Gauri GA-3 well and a re-drill of the Lakshmi LA-2 well, which tested at a cumulative rate of 10,500 bopd. The produced oil from Gauri will be commingled with gas and flowed through a planned 12 inch gas pipeline from Gauri to Lakshmi. The combined oil from Gauri and Lakshmi will then flow through the 24 inch gas pipeline to Suvali. In the event of continued success from these phase one oil wells, the development programme will be expanded to incorporate further phases and ultimately, if warranted, a dedicated oil pipeline to shore will be constructed.

in parallel

An exploration well on the western margin of the block was plugged and abandoned in April 2003 after encountering thick reservoir sands with only residual oil saturations. Cairn's exploration programme is now entirely focused on the established hydrocarbon producing and more prospective eastern margin of the block.

The 2003 seismic programme has confirmed a likely small extension of the Gauri field north of the Hazira block in the area of the Shell LNG terminal which is currently under construction. Options for the drilling of this extension are currently being considered. The seismic has also demonstrated an onshore prospect located four kilometres from Suvali and up-dip from the producing Bandhut oil field. It is planned to drill this onshore exploration prospect in late 2003 or early 2004.

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

In Rajasthan, exploration and appraisal activity continues in parallel.

The 2003 2D seismic programme has identified a number of prospects in the northern half of the block, bringing the total number of prospects identified in the basin to date to over 30.

Two appraisal wells have been drilled on the Saraswati field during 2003, one down-dip in the same compartment as the discovery well and one in a small fault block to the north. These wells have extended the known oil column in the field to more than 300 metres, although they did encounter poorer or tighter reservoirs than in the original discovery well.

An extended well test commenced on the S-1 discovery well during August 2003. The first interval to be tested was the Fatehgarh which produced stable oil flow for thirteen days at a rate of 470 bopd with no water prior to being shut-in for pressure testing. The oil produced was sold at the wellhead

and trucked by the buyer. The second interval, which is to be tested during September 2003, is the Barmer Hill section. This previously flowed 1,400 bopd of 42 degree API oil in the discovery well. A stimulation programme, including fracking, will be carried out on the S-2 appraisal well during October 2003. If this stimulation is successful, a similar programme will be carried out on the S-3 appraisal well. A 3D seismic survey has recently been acquired over the Saraswati field in order to plan for further appraisal drilling.

In February 2003, an exploration well in the centre of the basin discovered the Raageshwari oil and gas field. The discovery well tested at a cumulative rate of 200 bopd and was followed by a successful oil step-out well in March 2003. The oil down to has so far established a 120 metre oil column and further appraisal drilling is planned to commence in Q4 2003.

Additional exploration drilling this year has included a well on a prospect located on the eastern flank of the basin, which was plugged and abandoned as a dry hole in July and a subsequent well on the N-Q prospect in the centre of the basin. The N-Q well, which is located ten kilometres to the west of S-1, is currently operating. This well has already encountered and logged hydrocarbons at the Thumbli level which occurs at a relatively shallow depth outside of structural closure. The previous Raageshwari and Guda discoveries also found hydrocarbons at the Thumbli level, but within structural closure. There is the potential for a large stratigraphic play across much of the central part of the basin and this play concept will be tested by new exploration and further appraisal wells.

Two medium depth drilling rigs are scheduled to arrive early in Q4 2003 to accelerate the multi-well drilling campaign already underway on the block. Additional rigs may be contracted in 2004 in the event of continued drilling success.

Chairman's Statement

We will continue to focus on opportunities in South Asia

Eastern India - Krishna-Godavari Basin

Production

Ravva (Cairn 22.5% and operator)

The Ravva oil and gas field remains on plateau production and average gross daily production for the first half of 2003 was 50,598 bopd and 71 mmscfd (H1 2002: 51,391 bopd and 66 mmscfd). The highest daily offtake to date was 72,754 boepd, taken on 3 July 2003.

Exploration

Ravva (Cairn 22.5% and operator)

The interpretation of the 2001/2002 3D seismic over Ravva has high graded 13 exploration prospects. In order to test some of these prospects two exploration wells are planned for 2004, one to be drilled as a deviated well from an onshore location and one as a vertical offshore well.

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

The Government of India has indicated that it will grant an extension to the final exploration phase of Block KG-OS/6 and it is currently intended that prospect 6, a Miocene tilted fault block similar to those producing at Ravva, will be re-drilled during the period of the extension.

Block KG-DWN-98/2 (Cairn 100% and operator)

Following a successful exploration programme in 2001, Cairn is currently seeking to bring in a value adding partner to optimise forward plans for Block KG-DWN-98/2. It is anticipated that exploration and appraisal drilling on this block will resume in 2004.

NELP-IV

The Indian Government commenced the fourth round of its new exploration licensing policy this year with a bid submission deadline of 30 September 2003. Cairn expects to bid for additional exploration acreage in NELP-IV.

Bangladesh

Further information on the proposed acquisition of Shell's upstream assets in Bangladesh will be included in a circular to shareholders to be posted following signature of legally binding agreements between Cairn and Shell. It is currently anticipated that this will occur during September 2003. The circular will contain a Competent Person's Report prepared by Reservoir Management Limited including estimated remaining proven and proven plus probable reserves and associated valuations in respect of Shell's 37.5% interest in Sangu.

Production

Sangu Development Area, Block 16 (Shell operator, Cairn 37.5%)

During the first half of 2003, gross daily offtake from the Sangu gas field averaged 136 mmscfd (H1 2002: 135 mmscfd). Production was shut-in for 15 days for remedial pipeline activity and average production excluding this period was 156 mmscfd. The realised gas price for the period was \$2.92/mcf (H1 2002: \$2.92/mcf). Annual production from the field has risen steadily since its inception in 1998 and this trend is expected to continue.

Block 16 exploration rights have expired and discussions are ongoing with Petrobangla and the Government of Bangladesh with a view to extending the exploration period for certain parts of the block. The Sangu Development Area is retained for 30 years from January 1997, the anniversary of the approval of the development plan.

Exploration

Blocks 5 and 10

(Shell Bangladesh operator, Cairn 45%)

Production sharing contracts for Blocks 5 and 10 were entered into in July 2001. It has been agreed with the Government of Bangladesh that, during the first five years following signature, commitment

exploration wells will not have to be drilled on the blocks until there is a demonstrable market for any gas that may be discovered. It is intended that a seismic programme will be carried out over both blocks commencing later in 2003.

North Sea

Average net production from Cairn's non-core interests in the North Sea during the first half of 2003 was 2,238 boepd (H1 2002: 3,117 boepd).

Cairn announced in August 2003 that it had disposed of its interests in the Dutch North Sea. The Group continues to hold a 10% interest in the Gryphon field in the UK North Sea.

Reserves

An additional 7 mmboe of reserves were booked at 30 June 2002 in respect of Gauri. The table below shows the movement in reserves, incorporating production, on a direct entitlement basis for the Group since 31 December 2002.

On a direct working interest basis, reserves as at 30 June 2003 totalled 127.6 mmboe, compared to 126.3 mmboe at 31 December 2002.

	Reserves as at 30 June 2003 mmboe	Reserves as at 31 December 2002 mmboe
North Sea	3.6	3.8
South Asia	83.5	83.2
Total	87.1	87.0

Scheme of Arrangement

The scheme of arrangement to introduce a new holding company to the Group became effective on 19 February 2003. The new holding company was originally called New Cairn Energy PLC and was renamed Cairn Energy PLC when the scheme became effective. The former Cairn Energy PLC was renamed Cairn Energy Bangladesh PLC at the same time.

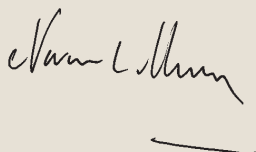
Board of Directors

I am pleased to report that Todd Hunt was appointed to the Board as a non-executive director in May 2003. His appointment provides invaluable additional onshore operational expertise to the organisation.

Outlook

The primary source of value creation for Cairn remains successful exploration in its key focus area of South Asia and the Group will continue to focus on opportunities in this region which have the potential for material shareholder value addition. In particular, the ongoing drilling programme in Western India has the potential to substantially increase Group oil and gas reserves in the short term.

Finally, the Group has achieved extremely robust financial results during the first half and the financial outlook for the second half of 2003 is very positive.



Norman Murray

Chairman

1 September 2003

Consolidated Profit and Loss Account (Unaudited)

For the six months to 30 June 2003

	Notes	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year ended 31 December 2002 £'000
Turnover		78,586	53,669	109,878
Cost of sales				
Production costs		(13,797)	(13,956)	(28,285)
Depletion		(19,370)	(10,848)	(24,215)
Decommissioning charge		(683)	(233)	(917)
Gross profit		44,736	28,632	56,461
Exceptional write (off)/back of oil and gas assets		—	(787)	1,146
Administrative expenses		(5,321)	(6,062)	(11,930)
Operating profit		39,415	21,783	45,677
Interest receivable and similar income		201	366	1,110
Interest payable and similar charges		(1,228)	(1,573)	(2,983)
Profit on ordinary activities before taxation		38,388	20,576	43,804
Taxation on profit on ordinary activities				
- current		(2,189)	(1,527)	(4,459)
- deferred		(9,940)	(3,447)	(12,861)
		(12,129)	(4,974)	(17,320)
Profit for the period		26,259	15,602	26,484
Earnings per ordinary share – basic	1	17.93p	10.79p	18.25p
Earnings per ordinary share – diluted	2	17.86p	10.72p	18.16p

Notes:

1. The basic earnings per ordinary share is calculated on a profit of £26,259,000 (H1 2002: £15,602,000) on a weighted average of 146,472,002 (H1 2002: 144,625,284) ordinary shares.
2. The diluted earnings per ordinary share is calculated on a profit of £26,259,000 (H1 2002: £15,602,000) on 146,988,039 (H1 2002: 145,481,560) ordinary shares, being the basic weighted average of 146,472,002 (H1 2002: 144,625,284) ordinary shares and the dilutive potential ordinary shares of 516,037 (H1 2002: 856,276) 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 2003

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year ended 31 December 2002 £'000
Profit for the period	26,259	15,602	26,484
Unrealised foreign exchange differences	(8,363)	(12,573)	(26,994)
Total recognised gains and losses relating to the period	17,896	3,029	(510)
Prior year adjustment	—	(9,465)	(9,465)
Total gains and losses recognised since last annual report	17,896	(6,436)	(9,975)

Reconciliation of Movements in Shareholders' Funds (Unaudited)

For the six months to 30 June 2003

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year ended 31 December 2002 £'000
Total recognised gains and losses relating to the period	17,896	3,029	(510)
New shares issued in respect of employee share options (Cairn Energy PLC)	654	—	—
New shares issued in respect of employee share options (Cairn Energy Bangladesh Limited)	—	806	902
Net additions to shareholders' funds	18,550	3,835	392
Opening shareholders' funds	326,782	326,390	326,390
Closing shareholders' funds	345,332	330,225	326,782

Notes:

1. Prior year adjustment in 2002 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.
3. The comparative figures in the Reconciliation of Movements in Shareholders' Funds have been restated in accordance with the principles of merger accounting, due to the impact of the scheme of arrangement. This is fully explained in the notes to the accounts following the primary statements.

Consolidated Balance Sheet (Unaudited)

As at 30 June 2003

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year ended 31 December 2002 £'000
Fixed assets			
Exploration assets	173,038	217,233	207,106
Development/producing assets	244,718	200,459	193,554
Other fixed assets	1,924	1,949	1,915
Investments	4,775	5,582	5,229
	424,455	425,223	407,804
Current assets			
Debtors	61,521	35,053	60,503
Cash at bank	15,989	9,380	13,494
	77,510	44,433	73,997
Creditors: amounts falling due within one year	49,183	37,130	43,199
Net current assets	28,327	7,303	30,798
Total assets less current liabilities	452,782	432,526	438,602
Creditors: amounts falling due after more than one year	19,697	39,764	35,848
Provisions for liabilities and charges	17,646	12,510	17,481
Deferred taxation	70,107	50,027	58,491
Net assets	345,332	330,225	326,782
Capital and reserves - equity interests			
Called-up share capital	14,942	14,891	14,891
Share premium	603	—	—
Other reserves	98,637	98,541	98,637
Capital reserves – non distributable	26,231	26,231	26,231
Capital reserves – distributable	35,254	35,254	35,254
Profit and loss account	169,665	155,308	151,769
Shareholders' funds	345,332	330,225	326,782

Notes:

1. The disclosed figures are not statutory accounts in terms of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2002, on which the auditors gave an unqualified report, have been filed with the Registrar of Companies.
2. The comparative figures in 'Capital and reserves' have been restated in accordance with the principles of merger accounting, due to the impact of the scheme of arrangement. This is fully explained in the notes to the accounts following the primary statements.

Consolidated Statement of Cash Flows (Unaudited)

For the six months to 30 June 2003

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year ended 31 December 2002 £'000
Net cash inflow from operating activities	63,168	39,782	72,097
Returns on investments and servicing of finance			
Interest received	201	366	745
Interest paid	(602)	(1,051)	(2,163)
	(401)	(685)	(1,418)
Taxation	(2,913)	(1,718)	(4,488)
Capital expenditure and financial investment			
Purchase of exploration assets	(18,961)	(17,297)	(28,814)
Purchase of development/producing assets	(20,047)	(33,455)	(40,016)
Purchase of other fixed assets	(477)	(461)	(1,127)
Purchase of fixed asset investments	—	(3,439)	(3,439)
Sale of other fixed assets	6	—	36
	(39,479)	(54,652)	(73,360)
Equity dividends paid	—	—	—
Net cash inflow/(outflow) before use of liquid resources and financing	20,375	(17,273)	(7,169)
Management of liquid resources¹			
Cash on short term deposit	(3,481)	(2,135)	(1,806)
Financing			
Issue of shares	654	806	902
Debt draw-downs	12,636	19,952	67,172
Repayment of debt	(31,130)	—	(52,724)
	(17,840)	20,758	15,350
(Decrease)/increase in cash in the period	(946)	1,350	6,375

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 2003

	Six months to 30 June 2003 £'000	Six months to 30 June 2002 £'000	Year ended 31 December 2002 £'000
Operating profit	39,415	21,783	45,677
Depletion and depreciation	19,847	11,359	25,368
Decommissioning charge	683	233	917
Amortisation of long term incentive plan	451	1,280	1,678
Exceptional write-off/(back) of oil and gas assets	—	787	(1,146)
Working capital movement	3,230	5,792	(2,588)
Other provisions	355	404	4,693
Gain on sale of other fixed assets	(1)	—	(12)
Foreign exchange differences	(812)	(1,856)	(2,490)
Net cash inflow from operating activities	63,168	39,782	72,097

Notes to the Accounts (Unaudited)

For the six months to 30 June 2003

1. Accounting Policies

The scheme of arrangement to introduce a new holding company to the Group became effective on 19 February 2003 ("the scheme date"). Accordingly, Cairn Energy PLC (formerly New Cairn Energy PLC) became the ultimate parent company in the Group, having acquired 100% of the issued share capital of Cairn Energy Bangladesh Limited (formerly Cairn Energy PLC and Cairn Energy Bangladesh PLC).

The scheme of arrangement has been accounted for in accordance with the principles of merger accounting and the requirement under section 227(6) of the Companies Act 1985 that the accounts give a true and fair view of the Group's results. The consolidated accounts are presented as if the scheme of arrangement had been effected on 1 January 2002, and correspondingly the comparatives have been adjusted to reflect this change. In the Balance Sheet comparatives, share capital has been restated to the share capital as at the scheme date (£14,891,260.90) and the share premium and capital redemption reserve of Cairn Energy Bangladesh Limited have been re-classified as 'Other reserves' in accordance with the principles of merger accounting. The overall total values of shareholders' funds in the comparatives have not changed from those previously disclosed.

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 2003 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.

This report is made solely to the Company in accordance with guidance Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

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 the test 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 2003.

Ernst & Young LLP

London

1 September 2003

Company Information

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Secretary

Duncan Wood

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Australian and New Zealand
Banking Group Limited
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Glossary of Terms

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

Corporate

Board	the Board of Directors of Cairn Energy PLC
Cairn	the Company and/or its subsidiaries as appropriate
Company	Cairn Energy PLC
GTCL	Gujarat Gas Trading Company Limited
GPEC	Gujarat Powergen Energy Corporation Limited
Group	the Company and/or its subsidiaries as appropriate
ONGC	Oil & Natural Gas Corporation Ltd. (Indian state oil and gas company)
Petrobangla	Bangladesh Oil, Gas & Mineral Corporation (Bangladesh state oil and gas company)
Shell	Shell International Exploration and Development B.V. and/or its affiliates as appropriate

Technical

API	American Petroleum Institute units as a measure of oil specific gravity
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
LNG	liquefied natural gas
mmboe	million barrels of oil equivalent
/mcf	per thousand cubic feet of gas
mmscfd	million standard cubic feet of gas per day

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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