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CAIRN ENERGY PLC
Preliminary Results Announcement

HIGHLIGHTS

Rajasthan development on track to ramp up production to 125,000 bopd in H2 2010
Further potential in Rajasthan to take production to 240,000 bopd
Greenland four well frontier exploration programme to commence 2010
Well funded with financial flexibility for operations

OPERATIONAL

- Group booked entitlement reserves: 253.9 mmboe (2008: 254.5 mmboe)
 - Gross operated production: 77,222* boepd (2008: 76,298 boepd)
 - Average net entitlement production: 20,307* boepd (2008: 12,801 boepd)
- *includes Rajasthan boepd production for 125 days

India

Rajasthan Resource Base

- Discovered in place resource increased from 3.7 billion boe to 4 billion boe
- Exploration potential increased; Prospective in place resource estimated 2.5 billion boe
- Block total potential in place resource now 6.5 billion boe
- Resource base provides potential to produce 240,000 bopd

Rajasthan Development

- Processing Train One complete and currently producing ~20,000 bopd
- Trains Two and Three at the Mangala Processing Terminal (MPT) to be ready Q2 2010
- 600 km pipeline from MPT to Salaya to be commissioned Q2 2010
- Sales arrangements in place for 143,000 bopd
- Production expected to ramp up to 125,000 bopd in H2 2010
- Development wells indicate Mangala production potential of 150,000 bopd subject to GoI approval

Greenland

- Geophysical surveys across west, south and eastern Greenland acquired in 2009
- PETRONAS became a 10% partner in existing operated blocks
- Two drilling rigs secured for multi-well offshore exploration programme summer 2010
- Preparations for 2010 geophysical surveys and exploration drilling underway
- Four planned exploration wells target ~1.6 billion of risked oil in place and ~385 mmbbls of risked resources, (16 billion of unrisked oil in place and 4.1 billion bbls unrisked resources) (gross mean figures)
- Pre-qualified as Operator for the 2010 Baffin Bay Bid Round



FINANCE

- Group gross cash balances of ~\$1.2bn
- PLC/Capricorn net cash of \$596m with a further \$64m received in 2010 following the PETRONAS farm-in to Greenland
- Cairn India Ltd (CIL) gross cash \$594m, net debt of \$96m and following the \$1.6bn refinancing during the year, CIL has committed undrawn loan facilities of \$923m
- Profit after tax before exceptional items of \$52.7m (2008: \$10.9m)

Sir Bill Gammell, Chief Executive of Cairn Energy PLC said:

“Following twenty years of building a material South Asian business we are reaching a defining moment in Cairn’s history.

The phased Rajasthan development is set to produce 125,000 bopd later this year with multiple buyers now lining up to take crude through the pipeline. The basin resource base continues to grow and has the potential to take production up to 240,000 bopd.

The growth in India has enabled the company to position itself as an early entrant in frontier acreage in Greenland. By creating substantial strategic positions in two undrilled basins 1,500 kilometres apart, Cairn continues to offer shareholders exposure to transformational upside through high risk exploration.”



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Cairn Energy Live Audio Webcast

The webcast of the 2009 preliminary results presentation will be available at 0900 (UK time) on Tuesday 23 March 2010 on the Cairn Energy PLC website: www.cairnenergy.com

An archived version of the webcast will be available later.

These materials contain forward-looking statements regarding Cairn, our corporate plans, future financial condition, future results of operations, future business plans and strategies. All such forward-looking statements are based on our management's assumptions and beliefs in the light of information available to them at this time. These forward-looking statements are, by their nature, subject to significant risks and uncertainties and actual results, performance and achievements may be materially different from those expressed in such statements. Factors that may cause actual results, performance or achievements to differ from expectations include, but are not limited to, regulatory changes, future levels of industry product supply, demand and pricing, weather and weather related impacts, wars and acts of terrorism, development and use of technology, acts of competitors and other changes to business conditions. Cairn undertakes no obligation to revise any such forward-looking statements to reflect any changes in Cairn's expectations with regard thereto or any change in circumstances or events after the date hereof.



CHAIRMAN'S STATEMENT

First oil from Rajasthan in North West India commenced in August 2009 with evacuation by trucking. This event marked a significant moment in Cairn's development.

The substantial and growing resource base in Rajasthan will allow the Group to generate sustainable long term cash flows once evacuation of sales crude by pipeline commences this year.

Cairn has built a strong business platform which will provide funds to enable the Group to:

- reinvest in Rajasthan to optimise development of the resource base;
- support exploration programmes in Greenland
- provide flexibility for additional growth opportunities.

India

The Rajasthan project has been a massive undertaking. At the peak of construction last year, approximately 16,000 people were involved in building the MPT site, the gas and water processing facilities and the pipeline, making this project one of the biggest oil and gas production developments in India for many years.

The honourable Indian Prime Minister, Dr Manmohan Singh, inaugurated First Oil from Mangala in August 2009. The initial production is being taken by road tankers to the coast and shipped to refineries pending the commissioning of the pipeline. The main pipeline infrastructure is now in place and testing and commissioning is underway. Initial piped crude oil volumes are scheduled to be pumped through the continuously heated and insulated facility during Q2 2010.

With development of the Mangala, Bhagyam and Aishwariya (MBA) fields well underway, the focus for planning purposes has shifted more toward realising the full potential of the basin. In this process unlocking the value of the Enhanced Oil Recovery (EOR) and the other fields including the Barmer Hill is of prime importance. The current Government of India (GoI) approved plateau production level for the MBA fields is 175,000 barrels of oil per day (bopd). Our goal is to demonstrate that the resource base can support potential production up to 240,000 bopd.

Working effectively with government and partners is fundamental wherever we operate but the complexity of the Rajasthan development has meant such co-operation was even more essential to achieve success. All parties working together have already delivered a clear message that India provides both the opportunity and the required support to create world-class developments.

Greenland

The Group's strong financial position has allowed it to build a strategic early entry position in the frontier basins of Greenland, a country which Cairn believes has the necessary geological ingredients for exploration success. This is the first year of what is intended to be a three year exploration campaign drilling in various basins offshore Greenland, which could have transformational potential. Whilst recognising that the chances of success are relatively low in such frontier areas, we look forward to the results of the summer 2010 drilling programme.

Cairn recognises that its activities can have an impact on the environment. In this regard it has policies and procedures in place that seek to avoid impacts wherever it operates and these are implemented in accordance with international regulatory requirements. The Company has an established track record of corporate responsibility initiatives in South Asia and will continue to adopt the same approach wherever it operates. Cairn has submitted social and environmental impact studies to the Government of Greenland as part of the drilling approval process.



Board

Hamish Grossart has decided, after 16 years on the board, not to seek re-election at the Annual General Meeting on 20 May 2010. Hamish was appointed to the Board in 1994 and has been Deputy Chairman of the Company since 1996. His business acumen and insight has been hugely beneficial to the Board over many years. Mark Tyndall who has also decided not to seek re-election has provided invaluable support and incisive input and stands down after seven years on the Board.

The company plans to appoint two new independent non-executive directors in the near future as replacements for Mr Grossart and Mr Tyndall.

Outlook

Cairn is well positioned for future growth.

The phased delivery of the Rajasthan project and development of the growing resource base will continue to remain our prime focus for a number of years.

Having built a strong sustainable cash generative position in India we will continue to offer transformational potential as we explore the frontier basins of Greenland.

Norman Murray

Chairman, 22 March 2010



CHIEF EXECUTIVE'S REVIEW

Cairn has a straightforward business model based on its entrepreneurial exploration and development skills. The Company's aim is to differentiate itself by focusing on materiality and hidden value and through the creation of a clear strategic business edge in its activities and relationships.

A twenty year vision to grow a substantial exploration and production business in South Asia has been delivered through the exploration and development successes of Sangu in Bangladesh, the Ravva complex of fields off the east coast of India, the Lakshmi, Gauri and other Gujarat fields on the west coast of India and the discovery and phased development of the Rajasthan fields.

Rajasthan oil production commenced in August 2009 and will continue to ramp up in 2010. The phase one Mangala plateau production of 125,000 bopd will be reached in the second half of this year before increasing to an approved plateau of 175,000 bopd in 2011 with the addition of Bhagyam and Aishwariya. At the current peak plateau production level Rajasthan crude will account for more than 20% of India's overall domestic oil production. The full potential of the Rajasthan project to Cairn and to the economy of India will only be realised once the resource base is fully developed. As more and more fields and plays such as Bhagyam, Aishwariya and the Barmer Hill are brought onto production Cairn envisages plateau production of up to 240,000 bopd.

In addition to the Rajasthan growth story Cairn is now set to embark on an exciting three year multi-well programme as the Company starts to explore the high risk frontier basins of Greenland.

India

Cairn continues to improve its understanding of the Barmer basin and a comprehensive review of the resource potential in the block has been carried out. The discovered gross mean in place resource base has increased from 3.7 billion barrels of oil equivalent (boe) to 4 billion boe.

Following evaluation the exploration potential has increased and the prospective resource is now estimated to be a risked 2.5 billion boe in place. The current total block potential resource is now 6.5 billion boe.

The MBA fields and the smaller Raageshwari and Saraswati fields all have approved Field Development Plans (FDPs) which carry a combined proven plus probable (2P) gross reserves and best estimate contingent resources (2C) of over 700 million barrels of oil equivalent (mmbbls). In addition the MBA fields have an estimated EOR contingent resource of over 300 million barrels of oil (mmbbls); these resources are expected to be transferred to reserves once the EOR field trial results are known.

There is a further estimated ~1.9 billion boe in place contained within the Barmer Hill Formation and the twenty other fields. Evaluation work is still ongoing for these discoveries and this year will include a pilot fracturing and horizontal well programme on the Barmer Hill. The reserve potential for these fields is currently estimated to range between 50 and 450 mmbbls.

In addition to the existing discoveries, the remaining risked prospective resource potential within the basin is currently estimated to be ~2.5 billion barrels (bbls) in 35 main prospects and over 70 leads for which the associated risked prospective resource is estimated to range between 150 and 450 mmbbls.

Substantial progress has been made on the Rajasthan integrated development in the last year. Production started last August at the MPT, the largest of its kind in India, with evacuation by trucking. The crude will shortly be transported through the world's longest continuously heated and insulated pipeline to key refineries in north west India.

Processing Train One was completed in 2009 and by the middle of 2010, Trains Two and Three at the MPT will be operational providing a production capacity of 130,000 bopd. When Train Four is installed in 2011 the currently approved production of 175,000 bopd can be reached.



Sales arrangements are now in place for 143,000 bopd with four refineries, namely MRPL and IOC in the public sector and Reliance and Essar in the private sector. Discussions are ongoing with regard to further sales to refiners in special economic zones and potentially overseas, subject to GoI approval.

Well results from the ongoing development drilling campaign in the Mangala field confirm the excellent reservoir quality of the Fatehgarh Formation, which indicates the potential to increase production to 150,000 bopd, subject to GoI approval and facility upgrades.

Greenland

It is Cairn's belief that Greenland, as part of the North Atlantic geological province, has hydrocarbons present in its offshore basins; however it will take stamina, skill and indeed luck to find them.

Only six exploration wells have been drilled offshore Greenland to date, five of which were drilled in the 1970s and one in 2000. These wells were all located in the west Greenland basin to the south of the undrilled Baffin Bay basin. In none of these instances were the operators able to benefit from a more sustained campaign.

Subject to the necessary government approvals, Cairn will commence drilling activities in the west Disko blocks within the undrilled Baffin Bay basin later this year. By using two state-of-the-art drilling rigs Cairn is able to plan a safe multi-well campaign. As part of the approval process, Cairn, along with its partner Nunaoil and the Government of Greenland has embarked on a Public Consultation Process (PCP) which involves engaging with a number of coastal communities in the Disko Bay area. The purpose of this process is to discuss the Environmental and Social Impact Assessments (EIA and SIA) reports for the project plan and well locations.

The proposed four well summer 2010 exploration programme targets ~1.6 billion of risked gross mean oil in place and ~385 mmbbls of risked resources, (16 billion of unrisked oil in place and 4.1 billion bbls unrisked resources) and has been designed to allow operational flexibility dependent on results.

As the Baffin Bay basin is undrilled, it does not have a confirmed active petroleum system; however results from the 2009 surveys have given positive indications that suggest one may be present. The main perceived risk is the presence of thick and continuous source rocks offshore. Currently the estimated chance of success for the four prospects ranges from 7 to 14%.

Geophysical surveys are also planned across the southern Greenland basins in the summer of 2010 in advance of a further exploration drilling campaign of up to four wells in 2011, subject to necessary approvals.

The Baffin Bay bid round also takes place this year with bids to be submitted by 1 May 2010 and awards expected in August. It is anticipated that this will be a very competitive round and Cairn plans to participate.

Financial Review

During 2009, following the deterioration of conditions in worldwide financial markets, the Group took prompt action to strengthen its balance sheet. This allowed Cairn to continue with the programme of investment and to wait for credit markets to stabilise before expanding the loan facilities in India from \$850m to \$1.6bn.

The year closed with two significant transactions – one with PETRONAS and one with Dyas. The Group has consequently entered 2010 with a stronger balance sheet and a capital structure fit for the extensive operational activities.

At 31 December 2009 Group net cash balances, gross of prepaid finance costs offset against debt under International Financial Reporting Standards (IFRS), were approximately \$500 million. CIL had net debt of \$96 million and undrawn loan facilities of \$923 million. The net cash balances in the rest of the Group were \$596 million.



The Board continues to focus the Group's capital resources to maximise shareholder value and maintain financial and operational flexibility.

Resources in India continue to be targeted on delivering the Rajasthan project where initial cash flows will be reinvested in the block.

The enhanced financial strength of the Group has also enabled Cairn to accelerate the programme in Greenland where a successful exploration campaign this summer could be transformational.

Sir Bill Gammell

Chief Executive, 22 March 2010



OPERATIONAL REVIEW

Group Production

Cairn's average gross production during 2009 was 77,222 barrels of oil equivalent per day (boepd) (2008: 76,298 boepd). The Group's average entitlement production for 2009 was 20,307 boepd net to Cairn (2008: 12,801 boepd).

The figures in the table below show group production for 2009 on a gross, working interest and entitlement interest basis (including 100% of both CIL's and Capricorn's production).

Production (boepd)	Ravva	CB-OS/2	Rajasthan	Sangu	Total
Gross field	43,224	13,158	12,938	7,902	77,222
Working interest	9,725	5,263	9,057	2,963	27,008
Entitlement interest	4,537	3,818	9,891	2,061	20,307

The average realised price per boe for 2009 was \$50.02 (2008: \$63.88). Cairn's current entitlement interest production is 80% gas: 20% oil.

Rajasthan production commenced in August 2009 and represents 125 days.

Group Booked 2P Reserves

The table below shows reserves information at 31 December 2009 on an entitlement interest basis for the Group (including 100% of CIL's reserves). For accounting and reserves purposes, the Group has used an oil price assumption of \$65/bbl for 2010 (real) (2008: \$50/bbl for 2009 and \$65/bbl for 2010 onwards (real)).

2P	Reserves 31.12.08 mmboe	Produced in mmboe	Additions in mmboe	Revisions in mmboe	Reserves 31.12.09 mmboe
India	252.9	(4.3)	2.7	2.4	253.7
Bangladesh	1.6	(0.7)	0.0	(0.7)	0.2
Total	254.5	(5.0)	2.7	1.7	253.9

On a direct working interest basis, 2P reserves as at 31 December 2009 have decreased by 5.2 mmboe to 342.8 mmboe (31 December 2008: 348.0 mmboe), comprising 342.3 mmboe in India and 0.5 mmboe in Bangladesh. The net entitlement reserves position has also decreased by 0.6 mmboe from 254.5 mmboe to 253.9 mmboe. The 2009 production was replaced to a great extent by the reserves additions and revisions from CIL. These additions and revisions are a direct consequence of the ongoing development programmes on the Mangala, Ravva and Lakshmi oilfields and reflect an increased number of approved development wells and completed subsurface studies.

The Group's net entitlement interest to reserves is significantly geared to the oil price assumption used and the potential movement in reserves at different long-term oil prices is shown below.

Oil Price (\$/boe)	Net entitlement reserves (mmboe)	Increase/(reduction) compared to \$65/boe base case (mmboe)
\$40	286.9	33.0
\$90	229.4	(24.5)



CAIRN INDIA

Rajasthan - Block RJ-ON-90/1 (Cairn India 70% (Operator); ONGC 30%)

Cairn and its joint venture (JV) partner ONGC have 3,111 km² under long term contract in Rajasthan. The main field development area covers 1,859 km² and the Bhagyam and Kameshwari development areas cover 430 km² and 822 km² respectively.

The phased integrated development plan for the block, which includes gas, water and pipeline operations, is focused on the Mangala field with the MPT the hub through which all facilities will be connected.

Development - Upstream

The MPT is designed to process crude from the MBA fields and, when completed, will have initial capacity to handle 205,000 bopd of crude with scope for further expansion.

Four MPT Processing Trains are being built to ensure that Cairn is able to produce and process the presently approved peak plateau production of 175,000 bopd.

Train One, with a capacity to process 30,000 bopd, has been commissioned and handles current Mangala production. The crude oil is being evacuated via road trucks to the Gujarat coast for onward transport to MRPL and RIL refineries, using heated crude oil tankers.

Mangala production will continue to build during the ramp-up phase; Q4 2009 average gross production was 15,430 bopd and current production is ~20,000 bopd.

All equipment for Train Two (capacity of 50,000 bopd) has been erected with commissioning underway. Construction of Train Three (50,000 bopd capacity) is now in the pre commissioning stage. Trains One, Two and Three combined are targeting a capacity of 130,000 bopd at the MPT by H1 2010. Work on the well pads, in-field pipelines, processing facilities, buildings, power generation and associated utilities are at an advanced stage of completion.

Construction of the Raageshwari gas terminal and the Thumbli water field (saline aquifer) has been completed.

Development drilling and well completion activities are currently underway with two drilling rigs and one completion rig operating in the Mangala development area. A third drilling rig has commenced operations. To date, 50 development wells on Mangala have been drilled of which 38 have been completed and made ready for initial production. Six of these were horizontal wells.

The results from all of the wells drilled to date confirm the excellent reservoir quality, the lateral extent and the high deliverability potential of the Fatehgarh formation reservoirs.

Pipeline

The total length of the MPT to Salaya pipeline of 590 km, which passes through the states of Rajasthan and Gujarat, has now been laid and hydro-tested and is now being commissioned.

All of the Above Ground Installations (AGI's) from MPT to the Intermediate Pumping Terminal (IPT) at Viramgam are constructed and pre-commissioned. Gas has been introduced in this section to enable commissioning of all AGI's and this will be completed in H1 2010.

All AGI's from Viramgam to Salaya are in the pre-commissioning phase, with the introduction of gas and commissioning of this section scheduled for H1 2010.

Works on the spur lines at Radhanpur to connect to IOC facilities and at Salaya for both the Essar and Reliance refineries, are also reaching mechanical completion.



Rajasthan - Sales

The Gol had nominated MRPL and IOC for the offtake of initial crude quantities from the Rajasthan Block for 2009-10 and 2010-11.

These initial crude oil sales arrangements to Public Sector Undertakings (MRPL, IOC) have now been supplemented by sales to Reliance Industries Limited (RIL) at Jamnagar and the Essar Group at Vadinar following the decision of the Gol to allow private refiners to qualify as additional offtakers of the Rajasthan crude.

Prior to the completion of the pipeline the current production is being trucked to the Gujarat coast and then shipped to MRPL and RIL. To date more than three million barrels of crude from Mangala has been delivered to the refiners.

The Gol has also approved the establishment of additional/multiple Delivery Points at Radhanpur and Viramgam for sales to IOC's Panipat and Koyali refineries respectively.

Commercial terms and pricing have been concluded with IOC, MRPL, RIL and Essar. This pricing is based on comparable low sulphur crude frequently traded in the region – Bonny Light - with appropriate adjustments for crude quality.

The implied price realisation represents an average 10-15% discount to Brent on the basis of prices prevailing for the last 12 months to February 2010.

The oil from Rajasthan is categorised as medium gravity and is of a sweet grade with low sulphur content of about 0.1% by weight. While the crude has a high pour point and viscosity due to its waxy nature, it makes an excellent secondary processing feedstock for refiners.

Discussions are in progress with the Gol to allocate additional volumes.

Resource Base including Enhanced Oil Recovery

The current assessment of the EOR resource base is more than 300 mmbbls of incremental recoverable oil from the MBA fields. The EOR field pilot trials in Mangala have started and are expected to run for the next 18 months.

The Barmer Hill formation which lies above the Fatehgarh Formation reservoir across the basin holds significant potential in tighter reservoir rocks (lower permeabilities). A successful hydro-fracking campaign in three Raageshwari Deep gas wells was carried out across 10 gas zones. After treatment the first well test in Raag-14 proved a gas rate of 15.7 million standard cubic feet of gas per day (mmscfd), the highest ever in the field. This significant encouragement at Raageshwari indicates the potential for improved frac designs which could be applied to the low permeability reservoirs of the Barmer Hill Formation. The initial frac programme on the Barmer Hill is planned in 2010.

Exploration

There remains a significant and as yet untested prospective resource potential to pursue across the Rajasthan Barmer Basin and detailed technical work continues to assess existing and new plays in this asset.

Two exploration wells are planned in the Barmer Basin for 2010, namely Tukaram-2 and Tukaram-SE. Both of these wells are to be drilled on satellite prospects on the Tukaram Field (formerly Raageshwari East) and have the potential to extend known hydrocarbons in Tukaram.



Cairn India - Producing Assets

Cambay Basin – Western India CB-OS/2 (Cairn India 40% (Operator))

Average gross production from Block CB/OS-2 for 2009 was 13,158 boepd (comprising average gas production of 25 mmscfd and average oil/condensate production of 8,980 bopd). The application of advanced geophysical tools has helped map thin oil sands which are beyond seismic resolution. These techniques have resulted in the continuing evolution of the CB/OS-2 block from a gas producing asset to one with predominantly oil production.

Krishna-Godavari Basin - Eastern India Ravva (Cairn India 22.5% (Operator))

Average gross production from the Ravva field for 2009 was 43,224 boepd (comprising average oil production of 34,886 bopd and average gas production of 50 mmscfd).

Cairn is confident of the Ravva field's considerable remaining reserve potential and of producing more oil from this block before the expiry of the Production Sharing Contract (PSC) primary term in 2019.

Cairn and its joint venture partners have commenced a 4D seismic campaign to identify by-passed oil zones within the field and there remains scope for further reserve addition through infill drilling.

GREENLAND

West Disko Blocks

Cairn is planning to carry out an oil and gas exploration drilling programme of up to four exploration wells in the Disko West Area offshore west Greenland in the summer of 2010. This programme follows on from two dimensional (2D) seismic surveys acquired in 2008 and 2009 as well as additional surveys and ice monitoring programmes completed in 2009.

The west Disko licence blocks (Sigguk and Eqqua) are located more than 200 km from the nearest coastline and cover a total area of 23,815 km².

Thirty prospects and leads have so far been identified on the acreage. The four well programme targets a prospective resource of ~1.6 billion of risked gross mean oil in place and ~385 mmbbls of risked resources, (16 billion of unrisked oil in place and 4.1 billion bbls unrisked resources). The initial prospects, which lie in water depths of between 300 and 700 metres, are estimated to have a 7-14% chance of success based on an assessment of basin and individual prospect risks.

The 2010 drilling programme will utilise a dual rig strategy and therefore has some flexibility built into the programme.

The primary rig the Stena Forth is a 'state-of-the-art' high efficiency, sixth generation dynamically positioned drillship. The second rig, the Stena Don, is a fifth generation dynamically positioned semi-submersible. Both rigs are designed and equipped for working in harsh environments.

The drillship will be mobilised in June 2010. The semi-submersible rig may be mobilised at the end of June to commence drilling the first of two wells by the third week in July. All four wells are expected to be completed in October.

A number of vessels have been selected to provide additional operational support and to provide cover for emergency response, rig stand-by, ice management / anchor handling, oil spill response, and re-supply operations.



Southern Greenland

The acceleration of the exploration programme off the west Greenland coast will allow Cairn to plan and focus a potential 2011 wildcat drilling programme on the previously unmapped and undrilled basins off the coast of southern Greenland. Further 2D seismic and well site surveys will be carried out across these blocks in 2010.

Baffin Bay Bid Round

As part of the strategy to secure further acreage in Greenland, Cairn has also pre-qualified as an Operator for the Baffin Bay Bid Round which is due to close in May 2010.

BANGLADESH

Production and Development

In 2009, the Sangu gas field continued to maintain an enviable record for safety and low cost production even though production is well into decline. In order to increase and extend field production, an onshore compressor was installed and commissioned at the Sangu Plant in Chittagong in July 2009. This compression project was completed on time and on budget and is expected to increase gas recovery by five billion cubic feet (bcf) over the remaining field life. In addition a well intervention campaign is currently underway aimed at maintaining and increasing production from four of the Sangu wells.

Exploration

In Block 16 Cairn and its JV partner Santos commenced a 2702 km 3D survey over the Magnama discovery in January 2010.

MEDITERRANEAN

An exploration well, targeting a 20 million barrel unrisksed exploration prospect in the Louza block, Tunisia was spudded in March 2010.

The results of the 2009 3D survey acquired over the Joni Block in Albania are encouraging and an exploration well is currently planned for 2011.

NEPAL

Cairn has lifted force majeure on its acreage in Nepal based on an assessment of the security situation. Field operations will now proceed albeit on an initially limited scale.



FINANCIAL REVIEW

During 2009, following the deterioration of conditions in worldwide financial markets, the Group took prompt action to strengthen its balance sheet. This allowed us to continue with our programme of investment and to wait for credit markets to stabilise before expanding our loan facilities from ~\$850m to \$1.6bn, which was concluded in October.

The year closed with two significant transactions – one with PETRONAS and one with Dyas. These transactions provided us with additional financial strength, plus partners in both Greenland and our Mediterranean portfolio who will share in the investment programme going forward. The Group enters 2010 with a stronger balance sheet and a capital structure fit for its operational activity base.

Key Financial Performance Indicators

	2009	2008
Production (boepd)*	13,803	12,801
Average price per boe (\$)	**50.02	63.88
Revenue (\$m)	**234	299
Average production costs per boe (\$)**	12.31	11.22
Operating (loss)/profit (\$m)	** (26)	43
(Loss)/profit before tax (\$m)	** (14)	**85
Profit after tax (\$m)	**53	**11
Post tax impact of exceptional items (\$m)	10	356
Cash flow from operating activities (\$m)	111	150
Net assets (\$m)	2,687	2,279
Net cash (\$m)****	500	898

*on an entitlement interest basis

**excludes the impact of exceptional items

***excluding stock movements and pre-award costs

****shown gross of prepaid finance costs offset against debt under IFRS

Production, Revenue and Gross Profit

All numbers are stated before the impact of the exceptional items.

Group oil and gas revenues for the period were \$234m, compared with \$299m in 2008. The fall in revenues was a result of the natural decline in gross production levels from the existing producing fields combined with the lower price environment throughout 2009. This was offset partially by production from Rajasthan which commenced in August 2009, a milestone achievement for the Group. Average production per day on an entitlement basis for Rajasthan from August to December was 9,891 boepd.

Excluding the impact of Rajasthan, average entitlement production fell by 19% to 10,416 boepd (2008: 12,801 boepd). Overall, annual production including Rajasthan increased to 13,803 boepd of which oil accounted for 71% (2008: 54%).

Total production costs, at \$62m, includes closing stock of \$20m for Rajasthan crude and pre-award costs of \$22m (2008: \$14m). Adjusting for the closing stock balance and pre-award costs, average costs per boe have increased from \$11.22 to \$12.31. The increase is primarily attributable to first production from Rajasthan which is being delivered through trucking. On commencement of delivery by pipeline we expect average production costs per barrel to fall.

Unsuccessful exploration costs of \$57m for the year relate to general exploration costs carried against the Rajasthan block, the relinquishment of certain blocks and a number of dry exploration wells in India.

Total depletion and decommissioning charges have increased from \$48m to \$60m. The depletion and decommissioning charge per boe has also increased from \$10.16 per boe to \$11.92 per boe. Both increases are a result of Rajasthan production. The depletion and decommissioning rate per



boe is calculated using booked reserves. In Rajasthan, if the planned EOR and Barmer Hill trials are successful, we would expect to increase the Group's booked reserves. Consequently, the depletion and decommissioning rate per boe would decrease accordingly.

Gross profit for the year was \$54m (2008: \$137m).

Profit for the Year

All numbers are stated before the impact of the exceptional items.

Administrative expenses include charges for share-based payments of \$24m (2008: \$23m) and for depreciation and amortisation of \$8m (2008: \$10m). Net of these charges, administrative expenses remain in line year on year.

Net finance income for the year was \$11m (2008: \$42m). Finance income received, mainly bank interest, was \$43m (2008: \$66m). Finance costs have increased from \$24m to \$32m primarily as a result of an increase in foreign exchange losses of \$10m.

Total tax for the year was a credit of \$67m (2008: \$74m charge). This includes a current tax charge of \$36m (2008: \$14m) offset by a deferred tax credit of \$103m (2008: \$60m charge). The increase in the current tax charge reflects an increase in the Indian Minimum Alternate Tax (MAT) rate from ~11% to ~16%. The deferred tax credit arises from changes to Indian tax legislation regarding the basis on which tax holidays can be claimed and an increase in the MAT carry forward period from seven years to ten years. These changes were enacted in July 2009.

Reported profit before exceptional items for the year was \$53m (2008: \$11m).

Exceptional Items

Ravva Arbitration

The calculation of the Gol's share of petroleum produced from the Ravva field has been disputed for some years. In January 2009 the Gol instructed the buyers of the Ravva crude not to pass over the revenues to Cairn until such time as they believed that the liability had been settled in full. As a result, Cairn has provided for the full \$96m liability and continues to seek recovery of these revenues through legal channels.

Share Based Payments

In December 2009, Cairn's shareholders approved the conversion of notional "Units" in the Capricorn Group awarded in 2007 and 2008 into incentives over Cairn Energy PLC shares. Consequently, a non-cash charge of \$30m has been recognised in the Income Statement as a result of this modification. A similar charge is expected in the next financial year, the last full year of these converted "phantom options".

Dyas Transaction

On 30 November, Cairn announced the acquisition of the 9.99% minority interest held by Dyas in Capricorn Oil Limited. Total consideration for the purchase of the Capricorn shares was \$103m payable in \$91m PLC shares, \$4m cash and the transfer of 15% of Capricorn's working interests in the Tunisian and Albanian licences. This transaction resulted in a post-tax loss of \$102m being the difference between the implied value of the Tunisian assets acquired by Dyas and their carrying value in the financial statements. Under IFRS, the implied gain on the Albanian assets acquired by Dyas has not been recognised in these financial statements. In addition, IFRS requires recognition of \$63m of goodwill, being the difference between the consideration paid to Dyas and the book value of the minority interest acquired.

PETRONAS Transaction

In October 2009, Cairn entered into an agreement with Petronas to dispose of a further 2.3% of the Group's holding in CIL and farm-out a 10% interest in each of the six Cairn operated Greenland exploration licences for a total cash consideration of \$310m. This resulted in a post-tax accounting gain of \$197m. \$64m of the cash, the majority of the element pertaining to the farm-out, was received in February 2010 following approval of the transaction by the Greenlandic authorities.



The impact of these exceptional items is separately disclosed on the face of the Group Income Statement. Their effect is to increase the loss before tax by \$47m and increase profit after tax by \$10m.

Cash Flow, Capital Investment and Liquidity

Post tax cash inflow from operating activities has fallen by 26% from \$150m to \$111m. The fall is a result of the withheld Ravva revenues although this has been partially offset by the operating cashflows generated from Rajasthan and positive working capital movements.

During the year CIL completed a ~\$1.6bn refinancing for the Rajasthan development consisting of a USD facility for \$750m and an INR facility for 40bn Rupees. The debt is repayable over six years and the first repayment will be due in 2012. The debt was successfully syndicated with a total of 14 international and Indian banks.

Major inflows during the year arose from the 5% share placing by PLC raising \$158m (net of expenses), the PETRONAS transaction raising \$241m (net of expenses) and from the drawdown of a further \$190m of the CIL loan facility, taking the total debt drawn at the year end to \$690m (shown gross of prepaid finance costs offset against debt under IFRS). A further \$64 million was received from PETRONAS in February 2010 following final approval of their 10% farm-in to the Greenland acreage from the Greenlandic authorities. The Group also earned interest on cash balances of \$39m (2008: \$51m).

Cash outflow on capital expenditure is set out on the table below:

	2009	2008
	\$m	\$m
Exploration/appraisal expenditure	128	125
Development/producing expenditure	785	494
Other capital expenditure	6	5

Throughout 2009, the Group's capital expenditure programme continued to be focused on the Rajasthan development. This will continue into 2010 where the capital budget is in the region of \$1bn.

With first production achieved from Rajasthan in August 2009 the Group's capital programme for 2010 will also target the potentially transformational exploration portfolio in Greenland. Two drilling units have been secured and the current programme envisages the drilling of four exploration wells and 2,500km of 2D seismic in the second half of 2010. The capital programme for Greenland in 2010 is expected to cost up to \$420m.

At 31 December 2009 Group net cash balances, gross of prepaid finance costs offset against debt under IFRS, were approximately \$500 million. CIL had net debt of \$96 million and undrawn loan facilities of \$923 million. PLC/Capricorn's net cash balances were \$596 million.

Going Concern

The directors have considered the financial and operational risks relevant to support a statement of going concern. They have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual financial statements. In addition, the Group has several options to add to its cash reserves to allow the ongoing exploration programme in Greenland to continue.



Financial Strategy and Outlook

The Board continues to focus the Group's capital resources to maximise shareholder value and maintain financial and operational flexibility.

CIL's resources continue to be targeted on delivering the Rajasthan project where initial cash flows will be reinvested in the block.

The enhanced financial strength of the Group has also enabled Cairn to accelerate the programme in Greenland where a successful exploration campaign this summer could be transformational.

Jann Brown

Finance Director, 22 March 2010



	Notes	Continuing Operations \$m	Continuing Operations Exceptional Items \$m	December 2009 \$m	December 2008 \$m
Revenue	6	233.9	(64.0)	169.9	299.3
Cost of sales					
Production costs		(62.4)	-	(62.4)	(66.9)
Unsuccessful exploration costs		(57.4)	-	(57.4)	(47.7)
Depletion and decommissioning charge		(60.1)	-	(60.1)	(47.6)
Gross profit/(loss)		54.0	(64.0)	(10.0)	137.1
Other operating income		12.8	-	12.8	12.0
Administrative expenses	6	(89.2)	(29.9)	(119.1)	(94.6)
Impairment of intangible exploration/appraisal assets	6	(1.9)	(135.6)	(137.5)	(21.0)
Impairment of property, plant & equipment - development/producing assets		(1.3)	-	(1.3)	-
Reversal of impairment of intangible exploration/appraisal assets		-	-	-	6.5
Reversal of impairment of property, plant & equipment - development/producing assets		-	-	-	2.7
Gain on sale of intangible exploration/appraisal assets	6	-	15.0	15.0	-
Operating (loss)/profit		(25.6)	(214.5)	(240.1)	42.7
Exceptional gain on deemed disposal of subsidiaries	6	-	199.5	199.5	355.8
Finance income		43.2	-	43.2	66.2
Finance costs		(31.7)	(31.6)	(63.3)	(23.8)
(Loss)/profit before taxation		(14.1)	(46.6)	(60.7)	440.9
Taxation credit/(expense) on (loss)/profit	7	66.8	56.5	123.3	(74.2)
Profit for the year		52.7	9.9	62.6	366.7
Attributable to:					
Equity holders of the parent				24.7	348.8
Minority interests				37.9	17.9
Earnings per ordinary share – basic (cents)	3			1.82	26.87
Earnings per ordinary share – diluted (cents)	3			1.81	26.69



	Group 2009	Group 2008
	\$m	\$m
Profit for the year	62.6	366.7
Other comprehensive income		
Deficit on valuation of financial assets	(1.9)	(14.0)
Currency translation differences	48.1	(150.6)
Other comprehensive income for the year	46.2	(164.6)
Total comprehensive income for the year	108.8	202.1
Attributable to:		
Equity holders of the parent	63.4	236.5
Minority interests	45.4	(34.4)
	108.8	202.1



	Notes	Group 2009 \$m	Group 2008 \$m
Non-current assets			
Intangible exploration/appraisal assets		376.2	563.0
Property, plant & equipment - development/producing assets		1,828.6	1,119.6
Property, plant & equipment - other		6.9	8.6
Intangible assets – other		72.9	10.7
Available-for-sale financial assets		-	1.9
		2,284.6	1,703.8
Current assets			
Inventory		24.7	2.6
Trade and other receivables		346.6	501.9
Bank deposits	8	13.2	284.9
Cash and cash equivalents	8	1,176.5	1,113.0
Derivative financial instruments		-	3.7
Income tax assets		8.1	10.5
		1,569.1	1,916.6
Assets-held-for-sale		10.1	-
Total assets		3,863.8	3,620.4
Current liabilities			
Trade and other payables		348.5	540.9
Obligations under finance leases		1.5	2.2
Provisions		38.9	2.0
Income tax liabilities		6.1	6.3
		395.0	551.4
Non-current liabilities			
Loans and borrowings	8	666.1	500.0
Obligations under finance leases		2.0	3.2
Provisions		30.2	26.7
Deferred tax liabilities		83.5	260.4
		781.8	790.3
Total liabilities		1,176.8	1,341.7
Net assets		2,687.0	2,278.7
Equity attributable to equity holders of the parent			
Called-up share capital		16.6	15.8
Share premium		473.5	219.0
Shares held by ESOP Trust		(27.2)	(28.8)
Foreign currency translation		(38.8)	(78.8)
Capital reserves – non distributable		40.2	40.2
Retained earnings		1,495.0	1,433.7
		1,959.3	1,601.1
Minority interests		727.7	677.6
Total equity		2,687.0	2,278.7



	Notes	Group 2009 \$m	Group 2008 \$m
Cash flows from operating activities			
(Loss)/profit before taxation		(60.7)	440.9
Exceptional revenue provision		64.0	-
Unsuccessful exploration costs		57.4	47.7
Depletion, depreciation, decommissioning and amortisation		68.5	57.4
Share based payments charge		43.4	20.9
Exceptional impairment of intangible exploration/appraisal assets		135.6	-
Impairment and impairment reversal		3.2	11.8
Gain on sale of intangible exploration/appraisal assets		(15.0)	-
Exceptional gain on deemed disposal of subsidiaries		(199.5)	(355.8)
Finance income		(43.2)	(66.2)
Finance costs		31.7	23.8
Exceptional finance costs		31.6	-
Net interest paid		(14.7)	0.4
Income tax paid		(50.8)	(13.6)
Foreign exchange differences		4.1	(9.5)
Movement on inventory of oil and condensate		(22.1)	5.4
Trade and other receivables movement		33.3	5.9
Trade and other payables movement		5.0	(18.4)
Movement in other provisions		39.1	(0.3)
Net cash generated from operating activities		110.9	150.4
Cash flows from investing activities			
Expenditure on intangible exploration/appraisal assets		(128.1)	(125.2)
Expenditure on tangible development/producing assets		(785.0)	(493.7)
Purchase of property, plant & equipment - other		(1.8)	(4.1)
Purchase of intangible assets - other		(4.0)	(1.3)
Buy back of shares in subsidiary out of capital		(3.7)	-
Cash disposed of on disposal of subsidiary		-	(1.5)
Proceeds on disposal of exploration assets		5.1	-
Movement in funds on bank deposits		288.0	(254.3)
Interest received		38.9	50.9
Net cash used in investing activities		(590.6)	(829.2)
Cash flows from financing activities			
Proceeds from deemed disposal of subsidiaries		241.4	633.7
Arrangement and facility fees		(34.9)	(23.3)
Proceeds from shares issued for cash		157.8	-
Proceeds from exercise of share options		4.7	8.1
Payment of finance lease liabilities		(2.4)	(0.8)
Proceeds of borrowings		166.1	425.0
Net cash flows from financing activities		532.7	1,042.7
Net increase in cash and cash equivalents		53.0	363.9
Opening cash and cash equivalents at beginning of year		1,113.0	872.3
Exchange gains/(losses) on cash and cash equivalents		10.5	(123.2)
Closing cash and cash equivalents	8	1,176.5	1,113.0

Cairn Energy PLC
Group Statement of Changes in Equity
For the year ended 31 December 2009



	Equity share capital	Shares held by ESOP Trust	Foreign currency translation	Capital reserves	Retained earnings	Minority interests	Total Equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 January 2008	226.7	(32.0)	24.0	40.2	1,081.7	429.2	1,769.8
Total comprehensive income for the year	-	-	(102.8)	-	339.3	(34.4)	202.1
Exercise of employee share options	8.1	-	-	-	-	-	8.1
Minority interests created on deemed disposal of subsidiary	-	-	-	-	-	277.8	277.8
Share based payments	-	-	-	-	15.9	5.0	20.9
Cost of shares vesting	-	3.2	-	-	(3.2)	-	-
At 1 January 2009	234.8	(28.8)	(78.8)	40.2	1,433.7	677.6	2,278.7
Total comprehensive income for the year	-	-	40.0	-	23.4	45.4	108.8
Exercise of employee share options	4.7	-	-	-	-	-	4.7
Minority interests created on deemed disposal of subsidiary	-	-	-	-	-	41.8	41.8
Minority interest buy back	-	-	-	-	-	(41.0)	(41.0)
Share based payments	-	-	-	-	39.5	3.9	43.4
Shares issued for cash	157.8	-	-	-	-	-	157.8
Shares issued on buy back of minority interest	92.8	-	-	-	-	-	92.8
Cost of shares vesting	-	1.6	-	-	(1.6)	-	-
At 31 December 2009	490.1	(27.2)	(38.8)	40.2	1,495.0	727.7	2,687.0



1. Accounting Policies and Presentation of Financial information

Cairn prepares its accounts in accordance with applicable International Financial Reporting Standards (IFRS), as adopted by the EU.

The financial information contained in this announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. However, the financial statements contained in this announcement are extracted from the audited statutory accounts for the financial year ended 31 December 2009, which will be delivered to the Registrar of Companies. Those accounts are expected to have an unqualified audit opinion.

All accounting policies applied are consistent with those adopted and disclosed in the Groups annual financial statements for the year ended 31 December 2008, except where the Group has adopted new IFRS. During the year, the Group adopted the following standards and interpretations:

- IFRS 2 'Share-based Payments (revised)';
- IFRS 7 'Financial Instruments: Disclosures (amendments)';
- IAS 1 'Presentation of Financial Statements (revised)';
- IAS 23 'Borrowing costs (revised)';
- IAS 27 'Consolidated and Separate Financial Statements (amendments)';
- IAS 32 'Financial Instruments: Presentation (amendments)' and IAS 1 'Puttable Financial instruments and Obligations Arising on Liquidation (amendments)';
- IFRIC 9 'Reassessment of Embedded Derivatives' and IAS 39 'Financial instruments: Recognition and Measurement (amendments)';
- IFRIC 13 'Customer Loyalty Programmes';
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'; and
- IFRIC 19 'Extinguishing Liabilities with Equity Instruments'.

2. Going Concern

The directors have considered the factors relevant to support a statement on going concern. They have a reasonable expectation that the Group will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

3 Earnings per Ordinary Share

The earnings per ordinary share is calculated on a profit of \$24.7m (2008: profit of \$348.8m) and on a weighted average of 1,354,133,317 ordinary shares (2008: 1,298,034,315). The weighted average number of shares excludes shares held by the Cairn Energy PLC Employees' Share Trust. Comparative numbers have been update to reflect the subdivision of Cairn Energy PLC ordinary shares during the year.

The diluted earnings per ordinary share is calculated on a profit of \$24.6m (2008: profit of \$346.9m) and on 1,355,490,610 ordinary shares (2008: 1,299,738,512). The profit of \$24.6m reflects the reduced profit attributable to equity holders of the parent after potential Cairn India Limited share option issues. The 1,355,490,610 ordinary shares is the basic weighted average of 1,354,133,317 ordinary shares and the 1,357,293 dilutive potential ordinary shares relating to share options.

4. 2009 Annual Report and Accounts

Full accounts are due to be posted to shareholders on Monday 19 April 2010 and will be available at the Company's registered office, 50 Lothian Road, Edinburgh, EH3 9BY, from that date.

The Annual General Meeting is due to be held on Thursday 20 May 2010 at 12.00 midday.



5. Segmental Analysis

Operating Segments

For management purposes, the Group is organised into two business units; the Capricorn Group, being Capricorn Oil Limited and its subsidiary undertakings, and the Cairn India Group, each reporting internally to its own chief executive. There are three reportable operating segments as follows:

Cairn India Limited Group's operations are primarily within India.

Capricorn Group's operations focus on new exploration activities in Greenland and the Mediterranean. The Capricorn Group also includes the Group's interests in Bangladesh and Nepal and a share in certain North Indian assets operated by Cairn India Limited.

Cairn Energy PLC, exists to accumulate the activities and results of Cairn UK Holdings Limited, an intermediate holding company and direct parent of Cairn India Limited, and Cairn Energy PLC company results. Unallocated expenditure and net assets/(liabilities) including amounts of a corporate nature, not specifically attributable to one of the sub-Groups, are also included within this segment.

No operating segments have been aggregated to form the above reportable segments.

Management monitors the results of its business units separately for the purposes of making decisions about resource allocation and performance assessment.



5. Segmental Analysis (continued)

The segment results for the year ended 31 December 2009 are as follows:

	Cairn India Group \$m	Capricorn Group \$m	Cairn Energy PLC \$m	Group 2009 \$m
Revenue from external customers	156.7	13.2	-	169.9
Results				
Depreciation	(3.4)	(0.3)	-	(3.7)
Amortisation	(3.2)	(1.5)	-	(4.7)
Unsuccessful exploration costs	(50.2)	(7.2)	-	(57.4)
Depletion and decommissioning charge	(55.0)	(5.1)	-	(60.1)
Impairment of intangible exploration/appraisal assets	-	(137.5)	-	(137.5)
Impairment of property, plant & equipment – development/producing assets	-	(1.3)	-	(1.3)
Exceptional gain on deemed disposal of subsidiaries	-	-	199.5	199.5
Interest income	42.6	0.4	0.2	43.2
Interest expense	(33.7)	(0.1)	(4.4)	(38.2)
Tax credit/(expense)	107.2	33.6	(17.5)	123.3
Minority Interest	39.9	(2.0)	-	37.9
Segment profit/(loss)	78.1	(141.6)	126.1	62.6
Capital expenditure	796.5	52.2	62.8	911.5
Operating assets	3,073.5	586.2	204.1	3,863.8
Operating liabilities	(1,131.1)	(42.7)	(3.0)	(1,176.8)



5. Segmental Analysis (continued)

The segment results for the year ended 31 December 2008 are as follows:

	Cairn India Group \$m	Capricorn Group \$m	Cairn Energy PLC \$m	Group 2008 \$m
Revenue from external customers	282.4	16.9	-	299.3
Results				
Depreciation	(3.5)	(0.6)	-	(4.1)
Amortisation	(3.2)	(2.5)	-	(5.7)
Unsuccessful exploration costs	(27.8)	(19.9)	-	(47.7)
Depletion and decommissioning charge	(44.8)	(2.8)	-	(47.6)
Impairment of intangible exploration/appraisal assets	-	(21.0)	-	(21.0)
Reversal of impairment of intangible exploration/appraisal assets	-	6.5	-	6.5
Reversal of impairment of property, plant & equipment – development/producing assets	-	2.7	-	2.7
Exceptional gain on deemed disposal of subsidiaries	-	-	355.8	355.8
Interest income	56.2	9.1	0.9	66.2
Interest expense	(4.7)	-	-	(4.7)
Tax (expense)/credit	(74.1)	(0.2)	0.1	(74.2)
Minority Interest	22.7	(4.8)	-	17.9
Segment profit/(loss)	69.1	(47.5)	345.1	366.7
Capital expenditure	613.2	79.0	-	692.2
Operating assets	3,037.5	541.6	41.3	3,620.4
Operating liabilities	1,234.5	112.8	(5.6)	1,341.7

Segment assets include intangible exploration/appraisal assets; property, plant & equipment – development/producing assets; property, plant & equipment – other; intangible assets – other; trade receivables and operating cash. They exclude inter-company balances.

Segment liabilities comprise operating liabilities and exclude items such as inter-company balances.



5. Segmental Analysis (continued)

Geographic Information

Revenues from external customers:

	Group 2009 \$m	Group 2008 \$m
India	156.7	282.4
Bangladesh	13.2	16.9
	169.9	299.3

The revenue information above is based on the location of the sales.

Revenue from one customer in the Cairn India Group segment amounted to 41% of total revenue (2008: 1 customer, 44%) arising from oil and gas contract sales, excluding exceptional provisions.

Non-current assets

	Group 2009 \$m	Group 2008 \$m
India	2,176.0	1,494.7
Tunisia	19.4	156.7
Greenland	16.8	35.5
Bangladesh	2.7	8.5
UK	66.2	3.1
Other	3.5	3.4
	2,284.6	1,701.9

Non-current assets for this purpose consist of intangible exploration/appraisal assets; property, plant & equipment – development/producing assets; property, plant & equipment – other; and intangible assets – other. Available-for-sale financial assets have been excluded.



6. Exceptional items

	Ravva arbitration	Deemed Disposal of Cairn India and farm out of exploration/appraisal assets	Impairment of intangible exploration/appraisal assets	Share based payments	Total 2009	2008
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	(64.0)	-	-	-	(64.0)	-
Administrative expenses	-	-	-	(29.9)	(29.9)	-
Impairment of intangible exploration/appraisal assets	-	-	(135.6)	-	(135.6)	-
Gain on sale of intangible exploration/appraisal assets	-	15.0	-	-	15.0	-
Gain on deemed disposal of Cairn India Limited	-	199.5	-	-	199.5	355.8
Finance costs	(31.6)	-	-	-	(31.6)	-
Taxation	40.4	(17.5)	33.6	-	56.5	-
	(55.2)	197.0	(102.0)	(29.9)	9.9	355.8

Ravva arbitration

The calculation of the Gol's share of petroleum produced from the Ravva field has been the subject of differing interpretations for some years and an arbitration to settle the matter was launched in 2003. The biggest single issue, the treatment of an item known as the ONGC carry, was found in Cairn's favour by the arbitration panel in 2004. This was subsequently appealed by the Gol, following which it had been disclosed as a contingent liability in the notes to the financial statements. Cairn India's share of this liability was \$64.0m principal, plus interest of \$31.6m.

Following the procedure laid out in the Ravva Production Sharing Contract (PSC), the Gol's appeal was made to the Malaysian courts and in January 2009 they decided to set aside the arbitration award made in favour of Cairn India. Although not the final step in the legal process, the Gol then instructed the buyers of the Ravva crude not to pass over the revenues to Cairn until such time as they believed that the liability had been settled in full.

A further judgement was delivered by the Malaysian Court of Appeal in September 2009 which reversed the Malaysian Court's January 2009 ruling and had the effect of re-instating the original award in favour of Cairn India. The Gol have applied for leave to appeal this judgment to the Federal Court of Malaysia and an admission hearing is scheduled in April 2010. Despite the September judgement re-instating the original arbitration award, the Gol continued to prevent the buyers passing revenues to Cairn throughout the remainder of the year.

Consequently, on a conservative basis, Cairn has provided for the full \$95.6m liability as an exceptional item. The disputed share of profit petroleum of \$64.0m has been charged against revenue and the potential interest charge of \$31.6m has been recognised as a finance cost. An associated deferred tax credit of \$40.4m has also been recognised, making a net impact on profit after tax of \$55.2m. During the year, the cash due on \$150.0m of Ravva revenues have been withheld from Cairn. Cairn has offset \$85.0m of current profit petroleum payments due to Gol against the \$150.0m withheld. The remaining \$65.0m has been set off against the provision.

Cairn's view of the merits of the underlying case remains unchanged and Cairn are taking all legal routes open to defend the Group's position and to recover the revenues which Cairn believe have been wrongfully withheld. Success through any of these routes should result in a return of this cash to the Group.



6. Exceptional items (continued)

Deemed disposal of Cairn India Limited and Farm-out of exploration/appraisal assets

On 14 October 2009, Cairn entered into an agreement with Petronas to dispose of a further 2.29% of the Group's holding in Cairn India Limited and farm-out a 10% interest in each of the six Cairn-operated Greenland exploration licences. Total consideration receivable from Petronas is \$310.0m of which \$241.4m relates to the Cairn India Limited shares with the remaining \$68.6m allocated across the Greenland assets. At the year end a balance of \$63.5m was due to Cairn.

The disposal of the Cairn India Limited shares results in a gain of \$199.5m and reduces the Company's indirect percentage shareholding in Cairn India Limited to 62.39% at 31 December 2009. Capital gains tax on the sale of \$17.5m is charged to the Income Statement. Under the Group's accounting policy proceeds on the disposal of intangible exploration/appraisal assets are initially credited against previously capitalised costs in the Balance Sheet. Surplus proceeds remaining are credited to the Income Statement recognising a gain of \$15.0m.

Petronas has an option to increase its interest to 20% in any development in these blocks, in return for payment of further consideration to reflect a market valuation of the additional 10% interest at that time. In addition, Petronas may also farm-in to Cairn's interests in non-operated Greenland exploration licences, subject to approval, within a year of the transaction. Proceeds will reflect the market value at that time.

In 2008 the Group made an exceptional gain of \$355.8m on the deemed disposal of 4.23% of Cairn India Limited during the period. 4.12% of this disposal was through the private placement on the Bombay Stock Exchange and National Stock Exchange of India, which completed on 16 April 2008. Cairn India Limited entered an agreement with Petronas and Orient Global Tamarind Fund Pte Limited, further to which the investors agreed to purchase a total of 113m shares of Cairn India Limited at Rs. 224.30 per share.

The share options exercised under the Cairn India Senior Management Plan account for the additional reduction of the Company's indirect percentage holding in Cairn India Limited. At 31 December 2008, the Company retained an indirect holding of 64.68% in Cairn India Limited.

Impairment of intangible exploration/appraisal assets

On 30 November, Cairn announced the acquisition of the 9.99% minority interest held by Dyas in Capricorn Oil Limited. Total consideration for the purchase of the Capricorn shares was \$102.5m payable in \$91.3m PLC shares, \$3.7m cash and the transfer of 15% of Capricorn's working interests in the Tunisian and Albanian licences. Prior to the transfer, an impairment test was performed based on fair value less cost to sell resulting in an impairment charge of \$135.6m with an associated tax credit of \$33.6m.

Share Based Payments

At an EGM held on 21 December 2009, Cairn's shareholders approved the conversion of 'phantom options' awarded in 2007 and 2008 based on notional 'Units' in the Group into Cairn Energy PLC Share options and LTIP's. In accordance with IFRS 2, the incremental fair value of the modified awards, calculated at the date of modification, is charged over the remaining vesting period. A net charge of \$29.9m is therefore recognised in the Income Statement as a result of this modification. A similar charge is expected in 2010.



7. Taxation on (Loss)/Profit

a) Analysis of tax (credit)/expense in year

	Notes	2009 \$m	2008 \$m
Current tax:			
UK corporation tax			
Adjustments in respect of prior periods		-	(0.1)
Foreign Tax			
Indian Regular Tax on profits for the year at 42.23% (2008: 42.23%)		6.3	7.6
Indian Regular Tax on profits for the year at 33.99% (2008: 33.99%)		6.4	6.7
Indian Minimum Alternate Tax on profits for the year at 14.53% (2008: 10.56%)		17.5	5.3
Other overseas taxes		-	0.2
Adjustments in respect of prior periods		5.8	(6.0)
Withholding taxes deducted at source		0.1	0.2
		36.1	14.0
Exceptional current tax			
Indian tax on capital gains at 21.12% (2008: 21.12%)	6	17.5	-
Total current tax		53.6	13.9
Deferred tax:			
India			
Temporary differences in respect of non-current assets		(101.6)	63.6
Losses		-	-
Other temporary differences		(1.3)	(3.3)
		(102.9)	60.3
Exceptional deferred tax			
Temporary differences in respect of non-current assets	6	(33.6)	-
Other temporary differences	6	(40.4)	-
		(74.0)	-
Total deferred tax		(176.9)	60.3
Tax (credit)/expense on (loss)/profit		(123.3)	74.2



7. Taxation on (Loss)/Profit (continued)

a) **Analysis of tax (credit)/expense in year**

There is a credit to the income statement in respect of non-exceptional Indian deferred tax of \$102.9m (2008: charge of \$60.3m). In July 2009 Indian fiscal changes were enacted including an amendment to the tax holiday rules with the effect that tax relief can now be claimed for certain costs. A tax holiday is available on a contract area basis for seven fiscal years from commencement of production and so, where tax holiday relief can be claimed, deferred tax is provided only on the timing differences which remain at the end of the tax holiday period. Of the total credit for the year, \$43.2m relates to the impact of the changes to the tax holiday rules and \$59.7m is the movement in fixed assets in the year after taking account of amounts that will unwind before the end of the tax holiday period.

a) **Factors affecting tax (credit)/expense for year**

A reconciliation of income tax expense applicable to (loss)/profit before income tax at the applicable tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2009	2008
	\$m	\$m
(Loss)/profit before taxation	(60.7)	440.9
Tax at the weighted average rate of corporation tax of 61.21% (2008: 31.91%)	(37.2)	140.7
Effects of:		
Minimum Alternate Tax payable	17.5	5.3
Adjustments in respect of prior years - current tax	5.8	(6.1)
- deferred tax	-	17.5
Temporary differences not recognised	62.3	34.7
Gain on deemed disposal of subsidiaries	(55.9)	(101.0)
Impairment of non-qualifying assets	17.0	-
Share based payments	11.0	3.2
Indian tax holiday	(164.0)	(26.5)
Non-deductible expenses and non-taxable income	13.6	6.3
Indian tax on capital gain	17.5	-
Withholding tax	0.1	0.2
Foreign exchange movements	(11.0)	0.5
Other	-	(0.6)
Total tax (credit)/expense	(123.3)	74.2

The applicable tax rate was the weighted average rate for the year of the UK, Netherlands, Australian, Indian, Jersey, Swiss, Bangladeshi, Tunisian, Sri Lankan, Singaporean and Mauritian tax rates. On 1 April 2009, the Indian Minimum Alternate Tax rate increased from 10.56% to 15.84%, resulting in an average rate for the year of 14.53%. There were no other major changes in the statutory tax rates applying in each of these jurisdictions, however, the weighted average rate is subject to fluctuations from year to year based on the level of profits and losses which arise to the Group in each jurisdiction.

b) **Factors that may affect future corporation tax charges**

At 31 December 2009, Cairn had losses of approximately \$527.3m (2008: \$366.0m) available for offset against future trading profits chargeable to UK Corporation Tax. In addition there are surplus management expenses of \$141.4m (2008: \$121.9m) and non-trade deficits of \$21.9m (2008: \$10.1m) available for offset against future investment income. None of the trading losses, surplus management expenses or non-trade deficits has been recognised for deferred tax as it is not considered sufficiently probable that they will be used. Under UK tax law, tax losses may generally be carried forward indefinitely.



7. Taxation on (Loss)/profit (continued)

At 31 December 2009, Cairn had losses of approximately \$13.6m (2008: \$14.7m) available for offset against future trading profits chargeable to Netherlands Corporate Income Tax, but there are restrictions on the use of these losses. Under Netherlands tax law, losses may be carried forward for a period of up to nine years. There were also Swiss tax losses of approximately \$0.3m (2008: \$nil) available for offset against future income chargeable to Swiss Corporate Income Tax. Under Swiss law, losses may be carried forward for a period of up to seven years. Cairn also had losses of approximately \$0.6m (2008: \$nil) available for offset against future profits chargeable to Australian Corporate Tax, but there are restrictions on the use of these losses.

Under Australian law, losses may generally be carried forward indefinitely. No deferred tax asset has been recognised in respect of the Dutch, Swiss or Australian losses, as there is no probability that they will be used.

At 31 December 2009, Cairn had losses of approximately \$509.9m (2008: \$369.1m) available for offset against future trading profits chargeable to Indian Corporate Income Tax. Under Indian tax laws, losses may be carried forward for a period of up to eight years. These losses have not been recognised for deferred tax purposes as it is not considered probable that they will be utilised against future trading profits chargeable to Indian tax. \$474.5m (2008: \$334.9m) of these losses are expected to expire during the period of an Indian tax holiday.

The remaining \$35.4m (2008: \$34.2m) of the loss has not been recognised due to expectations regarding the level of income in the entity concerned.

Tax losses incurred in one jurisdiction cannot usually be offset against profits or gains arising in another jurisdiction.

8. Net Funds

Group	At 1 January 2009 \$m	Cash flow \$m	New Finance Leases \$m	Exchange movements \$m	At 31 December 2009 \$m
Bank deposits	284.9	(288.0)	-	16.3	13.2
Cash at bank	14.5	18.5	-	3.6	36.6
Short term deposits	1,098.5	34.5	-	6.9	1,139.9
Cash and cash equivalents	1,113.0	53.0	-	10.5	1,176.5
Loans and borrowings	(500.0)	(166.1)	-	-	(666.1)
Net cash	897.9	(401.1)	-	26.8	523.6
Finance leases	(5.4)	2.4	(0.3)	(0.2)	(3.5)
Net funds	892.5	(398.7)	(0.3)	26.6	520.1

Loans and borrowings at 31 December 2009 include prepaid facility fees of \$23.7m offset against from the outstanding loan balance under the effective interest rate method of accounting required under IAS 23. Excluding these prepayments reduces net cash at 31 December 2009 to \$499.9m.



8. Net Funds (continued)

	At 1 January 2008 \$m	Cash flow \$m	New Finance Leases \$m	Exchange movements \$m	At 31 December 2008 \$m
Bank deposits	30.1	254.3	-	0.5	284.9
Cash at bank	25.5	(12.5)	-	1.5	14.5
Short term deposits	846.8	376.4	-	(124.7)	1,098.5
	872.3	363.9	-	(123.2)	1,113.0
Cash and cash equivalents					
Loans and borrowings	(75.0)	(425.0)	-	-	(500.0)
	827.4	193.2	-	(122.7)	897.9
Net cash					
Finance leases	(4.3)	0.8	(2.4)	0.5	(5.4)
	823.1	194.0	(2.4)	(122.2)	892.5



GLOSSARY OF TERMS

The following are the main terms and abbreviations used in this announcement:

Corporate

Board	the Board of Directors of Cairn Energy PLC
Cairn	Cairn Energy PLC and/or its subsidiaries as appropriate
Cairn India/CIL	Cairn India Limited and/or its subsidiaries as appropriate
Capricorn	Capricorn Oil Limited and/or its subsidiaries as appropriate
Company	Cairn Energy PLC
EIA	Environmental Impact Assessment
SIA	Social Impact Assessment
GoI	Government of India
Group	the Company and its subsidiaries
IOC	Indian Oil Corporation
JV	Joint Venture
MBA	Mangala, Bhagyam and Aishwariya
MPT	Mangala Processing Terminal
MRPL	Mangalore Refinery and Petrochemicals Limited, (subsidiary of ONGC)
ONGC	Oil and Natural Gas Corporation Limited
PCP	Public Consultation Process
PSU	Public Sector Undertaking
RIL	Reliance Industries Limited

Technical

2C	best estimate contingent resources
2P	proven plus probable
2D/3D	two dimensional/three dimensional
AGIs	above ground installations
bbls	barrels
bcf	billion cubic feet
boe	barrel(s) of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
EOR	enhanced oil recovery
FDP	field development plan
IPT	intermediate pumping terminals
mmboe	million barrels of oil equivalent
mmbbls	million barrels of oil
mmscfd	million standard cubic feet of gas per day
PSC	production sharing contract
STOIIP	stock tank oil initially in place



NOTES TO EDITORS:

- Cairn Energy PLC ("Cairn") is an Edinburgh-based oil and gas exploration and production company listed on the London Stock Exchange. Following the IPO of Cairn India in January 2007, there are two separate arms to the business:
- Cairn India limited ("Cairn India") is now listed on the Bombay Stock Exchange and the National Stock Exchange of India and has interests in a total of 11 acreage blocks in India and Sri Lanka. Cairn currently retains a 62.39% interest in Cairn India.
- Capricorn Oil Limited ("Capricorn"), a 100% subsidiary of Cairn, is focused on exploration. Capricorn now has assets in Bangladesh, Nepal, Northern India, Greenland, Tunisia, Albania, and pending licence awards in Spain and Sicily.
- "Cairn" where referred to in this release means Cairn Energy PLC and/or its subsidiaries (including Cairn India and Capricorn), as appropriate.
- "Cairn India" where referred to in the release means Cairn India Limited and/or its subsidiaries, as appropriate.
- "Capricorn" where referred to in this release means Capricorn Oil Limited and/or its subsidiaries as appropriate.
- Cairn has focused its activities on the geographic region of South Asia, which has already resulted in a significant number of oil and gas discoveries. In particular, Cairn made a major oil discovery (Mangala) in Rajasthan in the north west of India at the beginning of 2004. Cairn has now made more than 20 discoveries in Rajasthan block RJ-ON-90/1.
- Cairn India is headquartered in Gurgaon on the outskirts of Delhi, with operational offices in Chennai, Gujarat, Andhra Pradesh and Rajasthan.
- Cairn Energy PLC (including Capricorn) is run from Edinburgh with operational offices in Dhaka, Chittagong and Kathmandu.

For further information on Cairn please go to: www.cairnenergy.com