INTERIM REPORT 2007
CAIRN ENERGY PLC

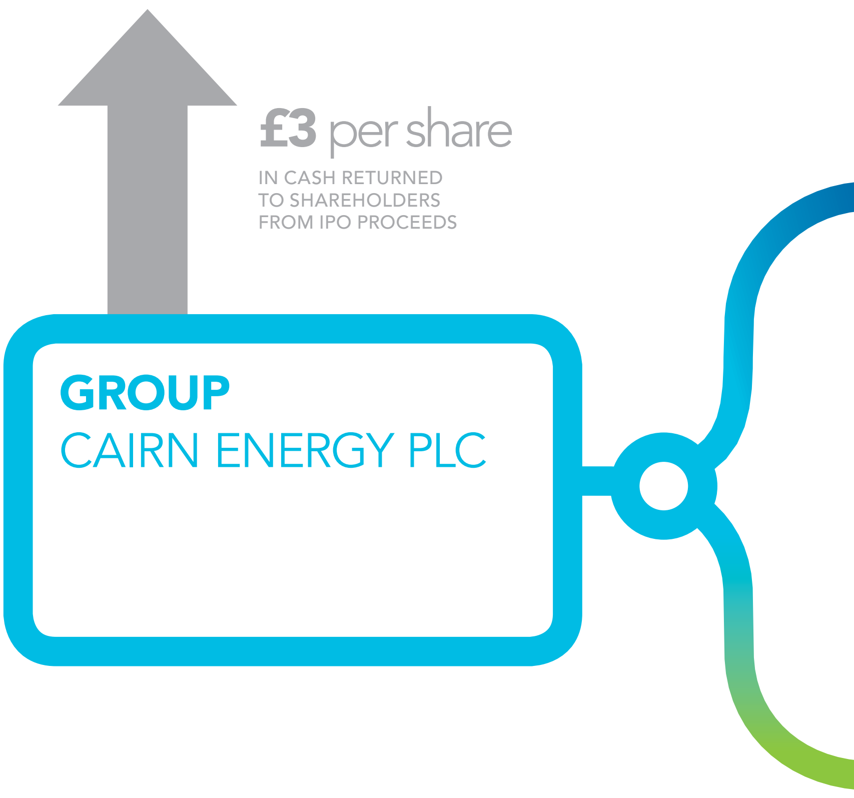
EXPLORING, DISCOVERING, DEVELOPING.

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, THERE ARE TWO SEPARATE ARMS TO THE BUSINESS:

CAIRN GROUP OVERVIEW

The successful IPO of Cairn India in January raised $1.98 billion of which $600 million was retained by Cairn India, $300 million was retained by Capricorn and £3 per share was returned in cash to Cairn Energy PLC shareholders.



CAIRN INDIA LIMITED (CAIRN INDIA) IS NOW FIRMLY ESTABLISHED AS AN AUTONOMOUS BUSINESS LISTED ON THE BOMBAY STOCK EXCHANGE (BSE) AND THE NATIONAL STOCK EXCHANGE OF INDIA (NSE) AND HAS INTERESTS IN A TOTAL OF 15 INDIAN ACREAGE BLOCKS. CAIRN RETAINS A 69% INTEREST IN CAIRN INDIA.

CAPRICORN ENERGY LIMITED (CAPRICORN), WHICH CURRENTLY HOLDS ASSETS IN BANGLADESH AND NEPAL, IS TAKING THE FIRST STEPS TOWARDS ESTABLISHING ITSELF AS A NEW EXPLORATION-LED BUSINESS THROUGH A STRATEGY OF ORGANIC GROWTH AND ACQUISITION. CAPRICORN IS A SUBSIDIARY OF CAIRN.

$1.98bn
RAISED FROM IPO

69% HOLDING RETAINED

CAIRN INDIA
CAIRN INDIA LIMITED

$600m
RETAINED FROM IPO

CONTINUE TO BUILD AND GROW AN INDIAN BASED E&P BUSINESS

GROUP 69% | **PETRONAS** 10% | **OTHERS** 21%

90% HOLDING RETAINED

CAPRICORN
CAPRICORN ENERGY LIMITED

$300m
RETAINED FROM IPO

CONTINUE TO BUILD AND GROW AN EXPLORATION-LED INTERNATIONAL E&P BUSINESS

GROUP 90% | **DYAS** 10%

~**$90**m
INVESTMENT BY DYAS

THE APPROVAL OF THE GOVERNMENT OF INDIA HAS NOW BEEN RECEIVED TO GRANT RIGHTS OF USE, ALLOWING CAIRN INDIA AND ONGC TO SECURE ACCESS TO LAND TO BUILD THE PIPELINE FROM RAJASTHAN

GROUP

$1.98bn

IPO PROCEEDS

£3 per share

CASH RETURNED TO CAIRN ENERGY PLC SHAREHOLDERS

Corporate

- IPO of Cairn India completed in January raising $1.98bn
- Return of £3 per share to Cairn Energy PLC shareholders
- IPO proceeds of $600m retained by Cairn India and $300m retained by Capricorn

Operational

- Gross operated production for H1 2007 92,173 boepd (H1 2006: 111,640 boepd)
- Average net entitlement production 22,486 boepd (H1 2006: 27,346 boepd)

Financial

- Profit after tax of $1,523.8m including $1,537.6m exceptional gain on IPO of Cairn India (H1 2006: loss $5.8m)
- Cash generated from operations $86.7m (H1 2006: $72.5m)
- Group net cash at 30 June 2007 of $847.2m (including 100% of Cairn India's net cash balances of $523.5m) (H1 2006: $19.5m)

CAIRN INDIA

150,000 bopd

RAJASTHAN PLANNED PRODUCTION

2009

SCHEDULED FIRST OIL PRODUCTION FROM MANGALA

- Government of India 'Rights of Use' (RoU) approval for Rajasthan pipeline
- Rajasthan planned production of 150,000 bopd from Northern Fields
- First oil production from Mangala on schedule for 2009
- Preparation of Mangala FDP addendum under way
- Rajasthan Northern Appraisal Area extension awarded – declaration of commerciality on three discoveries under preparation

CAPRICORN

~$90m

INVESTMENT BY DYAS

$77m

RECOMMENDED CASH OFFERS FOR PLECTRUM AND MEDOIL

- Dyas investment of approximately $90m for 10% shareholding in Capricorn
- Recommended cash offer for Plectrum Petroleum Plc (Plectrum) of approximately $47m (13p/share)
- Recommended cash offer for medOil plc (medOil) of approximately $30m (23p/share)
- Potentially high impact exploration drilling campaign in Bangladesh scheduled to commence in October
- Applications submitted for exploration blocks in Greenland

CHAIRMAN'S STATEMENT

Corporate Overview

THE SUCCESSFUL IPO OF CAIRN INDIA IN JANUARY RAISED $1.98 BILLION OF WHICH $600 MILLION WAS RETAINED BY CAIRN INDIA, $300 MILLION WAS RETAINED BY CAPRICORN AND £3 PER SHARE WAS RETURNED IN CASH TO CAIRN ENERGY PLC SHAREHOLDERS.

Cairn India

I am pleased to report that Cairn India has made significant progress in all of its operated assets since it was established as an autonomous business following the IPO. In accordance with Indian reporting regulations, Cairn India has already released two sets of quarterly results this year (in Indian Rupees and under IGAAP) detailing its financial results and operational achievements.

I am delighted that the approval of the GoI has now been received to grant the RoU, allowing Cairn India and ONGC to secure access to the land to build the pipeline from Rajasthan.

Cairn India is committed to continuing investment in India and is very much focused on creating shareholder value by developing its world class resource base in Rajasthan and seeking to continue Cairn's track record of exploration success.

Capricorn

I am also pleased to report on the progress of Cairn's subsidiary Capricorn. As previously announced, all of the assets not transferred to Cairn India in the IPO – those in Bangladesh, Nepal and certain exploration interests in northern India – are now held by Capricorn.

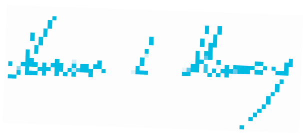
Capricorn's aim is to create further value for shareholders in the future by seeking to grow an exploration-led balanced E&P business. I welcome a separate investment by Dyas BV – a wholly owned subsidiary of Dutch conglomerate SHV Holdings N.V. and an active investor in oil and gas exploration – which has acquired a 10% holding in Capricorn for a total consideration of approximately $90m.

Capricorn continues to evaluate new venture opportunities and is now actively progressing a number of these, including the recommended cash offers for Plectrum and medOil announced on 7 September. Further announcements will be made as the offer processes progress.

Outlook

The Group continues to be well placed financially with a strong balance sheet, positive operating cash flows, an $850m syndicated revolving credit facility in Cairn India to fund the Rajasthan developments, cash generated from the flotation of the Indian business and a ~$90 million investment in Capricorn by Dyas.

The respective strategies of the two arms of the Cairn business are now well defined and both are making significant progress in achieving their objectives.



Norman Murray
Chairman
11 September 2007

THE RESPECTIVE STRATEGIES OF THE TWO ARMS OF THE CAIRN BUSINESS ARE NOW WELL DEFINED AND BOTH ARE MAKING SIGNIFICANT PROGRESS IN ACHIEVING THEIR OBJECTIVES.

CAIRN HAS MADE STRONG PROGRESS IN REALISING ITS VISION OF CREATING TWO WORLD CLASS BUSINESSES.

CAIRN INDIA IS NOW FIRMLY ESTABLISHED AS AN AUTONOMOUSLY RUN INDIAN BUSINESS ENTITY WITH AN EXCITING FUTURE. THE CRITICAL PATH PROCESS FOR SECURING ACCESS TO THE LAND TO BUILD THE PIPELINE FROM RAJASTHAN HAS STARTED. CONSEQUENTLY, FIRST OIL FROM MANGALA REMAINS ON COURSE FOR 2009.

THE RECENT ANNOUNCEMENTS REGARDING CAPRICORN REPRESENT THE FIRST STEPS TOWARDS THE ESTABLISHMENT OF A NEW EXPLORATION-LED BUSINESS COMBINING OUR EXISTING SOUTH ASIA ASSET BASE WITH MATERIAL ACREAGE POSITIONS IN NEW AREAS. WE LOOK FORWARD TO THE OUTCOME OF THE POTENTIALLY HIGH IMPACT BANGLADESH EXPLORATION DRILLING CAMPAIGN.

Cairn India

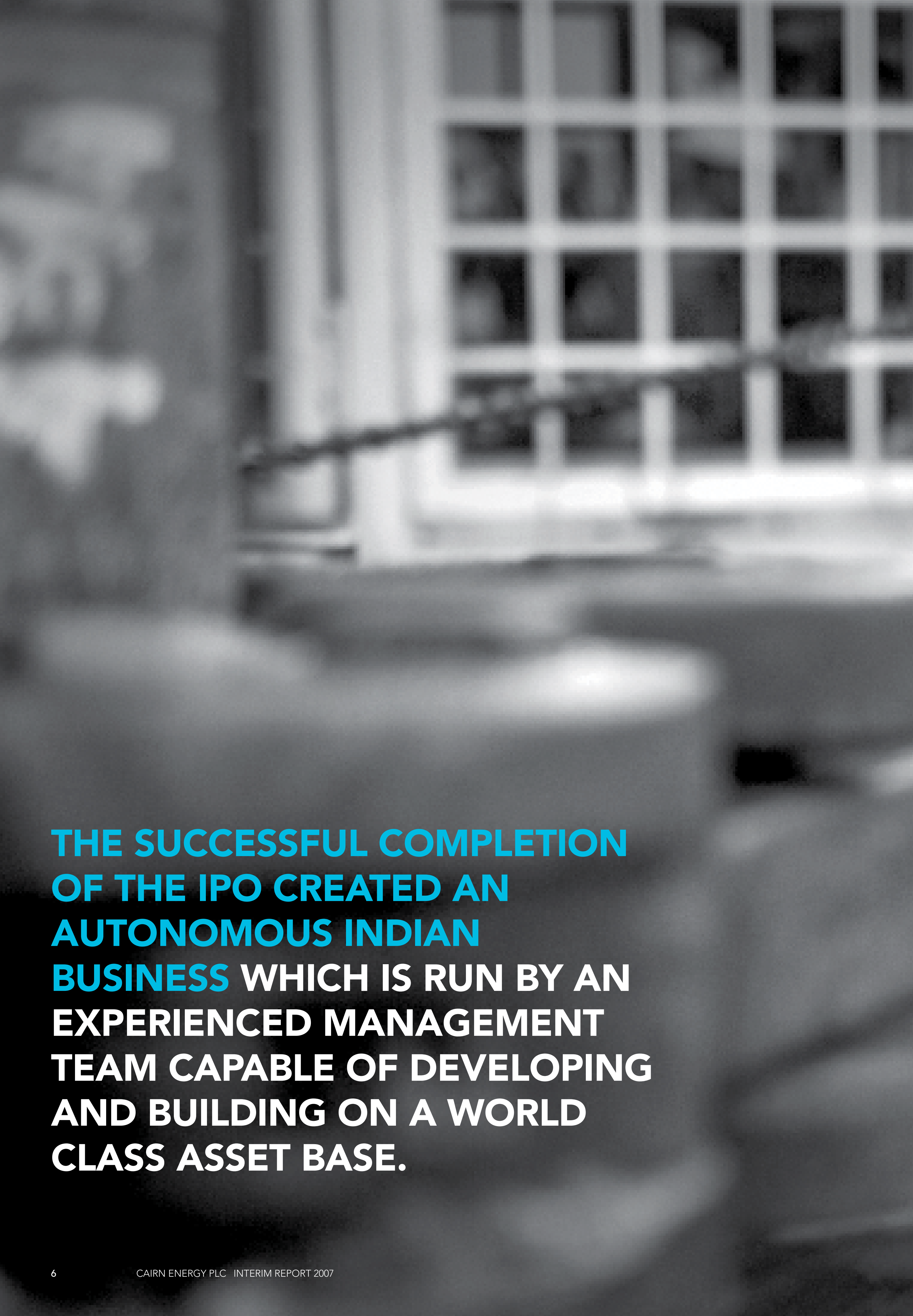
The IPO of Cairn India was a natural evolution of the Cairn business, building on over a decade of achievement in South Asia. The successful completion of the IPO created an autonomous Indian business which is run by an experienced management team capable of developing and building on a world class asset base.

Cairn India's oil and gas fields at Ravva and CB/OS-2 continue to be the cornerstone of its existing production. The ongoing drilling programme at Ravva and a further programme planned this year on CB/OS-2 will ensure that these assets continue to underpin Cairn India's activities elsewhere in India.

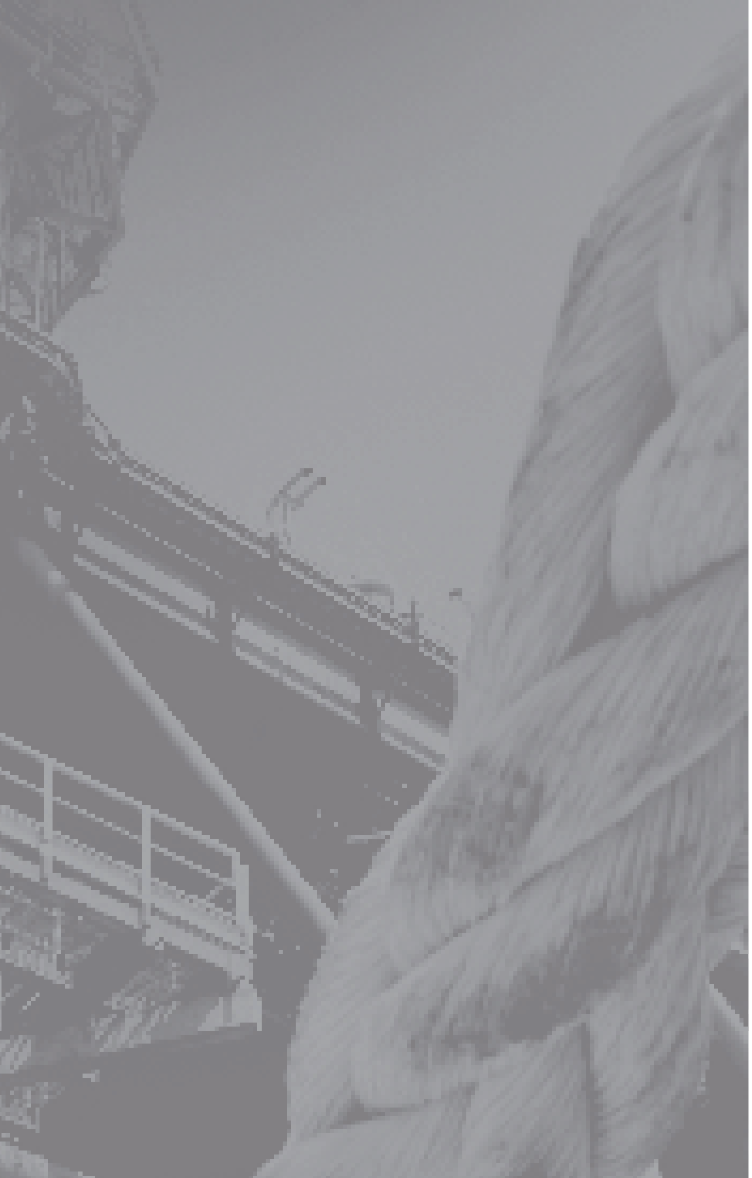
A step change in production is expected from 2009, when the first of the Rajasthan developments is scheduled to come onstream. The Mangala field will be brought on production first, followed by the Bhagyam and Aishwariya fields. The targeted gross plateau production from these three fields is 150,000 bopd. Once onstream, the fields will create value for the GoI, the Rajasthan State Government and for investors and other stakeholders in both Cairn and Cairn India.

Rajasthan Upstream

The estimated proven and probable (2P) hydrocarbons in place for the six fields (Mangala, Bhagyam, Aishwariya, Saraswati, Raageshwari Oil and Raageshwari Deep Gas), for which development plans have either been approved, or are being prepared, total 2.2 billion boe and the associated gross 2P reserves plus contingent resources are 864 million boe.



THE SUCCESSFUL COMPLETION OF THE IPO CREATED AN AUTONOMOUS INDIAN BUSINESS WHICH IS RUN BY AN EXPERIENCED MANAGEMENT TEAM CAPABLE OF DEVELOPING AND BUILDING ON A WORLD CLASS ASSET BASE.



>30
DISCOVERIES IN SOUTH ASIA

5 fields
DEVELOPED AND ON PRODUCTION

92,173 boepd
GROSS OPERATED PRODUCTION FOR H1 2007

Rajasthan Upstream – continued

Additional smaller and/or low permeability fields and reservoirs have an estimated 2P hydrocarbons in place volume of more than 1.4 billion boe. Over the coming years, Cairn India's focus will be on converting as much of this contingent resource base into 2P reserves as is economically possible.

Further details on progress on the upstream elements of the Rajasthan development can be found in the Operating and Exploration Review.

Rajasthan Midstream

The RJ-ON-90/1 Operating Committee (Cairn India and ONGC) have agreed an oil export (midstream) solution. This proposal has been sent to the GoI for approval, after which it will be submitted to the RJ-ON-90/1 Management Committee.

The proposal is to expand the Mangala field development plan (FDP) to include an oil export pipeline, which will transport the Rajasthan crude from Mangala to a coastal location in Gujarat. The GoI has recently agreed to grant RoU for the pipeline. In order to meet the projected schedule, the front end engineering and design (FEED) has already been completed and the procurement process for several long lead items has commenced.

The proposed routing of the pipeline will allow access to an extensive existing pipeline infrastructure and refinery network, with a final coastal delivery point that also affords access to the majority of India's refining capacity.

Capricorn

Capricorn intends to follow the Cairn model for exploration-led growth within a balanced E&P portfolio. Specifically, Capricorn aims to build material positions in areas where it sees the potential for hidden and material value but it will not be geographically constrained in doing so. Since the Cairn India IPO, the Capricorn team has conducted an extensive opportunity screening exercise. The recent announcements concerning the partnership with Dyas, which is investing approximately $90 million for a 10% interest in Capricorn, and the recommended cash offers for Plectrum and medOil, are consistent with this model and represent the right first steps for Capricorn.

Bangladesh

An offshore drilling campaign in Block 16 commenced in January 2007 during which two wells (South Sangu-3 and Sangu-10) were drilled. South Sangu-3, which was drilled to evaluate the earlier South Sangu discovery, encountered sub-commercial quantities of gas. Sangu-10, which was drilled as an extended reach delineation well in the main Sangu field, did not encounter gas in the main reservoir horizon but encountered small, potentially producible quantities of gas in a separate upper horizon and was suspended. A planned third well (an exploration well on the Hatia prospect) was not drilled due to operational delays on the first two wells and the need to demobilise the drilling rig prior to the onset of the monsoon season.

The net impact of the above drilling programme was a downgrade to Sangu reserves, which was announced with our 2006 year end results in March.

A separate potentially high impact exploration drilling campaign targeting the Magnama prospect (and potentially also the Hatia prospect) is now scheduled to commence in October 2007. In the event of success on Magnama, a follow-up appraisal well is planned.

Nepal

The security situation in Nepal continues to be monitored closely and a contractual *force majeure* remains in place on these blocks. As soon as the security situation permits, planning for seismic acquisition operations will commence. An office in Kathmandu has already been established to support Capricorn's activities in Nepal.

Capricorn has also reached agreement with Texana for the assignment of a 100% interest in Blocks 3 and 5 pending the approval of the Government of Nepal.

Greenland

As part of a new venture initiative, Capricorn has recently submitted two bid applications in the Disko West exploration licensing round offshore west Greenland. The results of this bid round are currently expected to be announced in early 2008.

Results and Financial Performance

Cairn continues to demonstrate financial strength with a strong balance sheet, cash retained from the IPO, positive operating cash flows and an $850m facility in place in Cairn India.

Key statistics *	**H1 2007**	H1 2006
Production (boepd)**	**22,486**	27,346
Average price per boe ($)	**34.10**	31.03
Turnover ($m)	**138.7**	153.9
Average production costs per boe ($)	**7.47**	6.29
Profit before tax (pre-exceptional items) ($m)***	**10.5**	12.7
Profit/(loss) after tax ($m)	**1,523.8**	(5.8)
Cash generated from operations ($m)	**86.7**	72.5
Net assets ($m)	**1,663.5**	742.7
Net cash ($m)	**847.2**	19.5

* figures are stated pre minority interest
** on an entitlement interest basis
*** exceptional items include an exceptional gain of $1,537.6m on the disposal of a subsidiary and a $15.3m (H1 2006: $5.7m) exceptional oil and gas impairment write down

Accounting overview

Following the IPO of Cairn India in January 2007, Cairn Energy PLC's consolidated accounts include the full results of its subsidiary undertakings (including Cairn India) to the balance sheet date. The 31% interest in Cairn India held by external shareholders is reflected as a minority interest adjustment.

Profit and Loss

Turnover

Turnover for the period was $138.7m (H1 2006: $153.9m).

Gross production for the period has decreased by 17% to 92,173 boepd (H1 2006: 111,640 boepd). This is principally due to a reduction in gross production on CB/OS-2 and Sangu, as both of these gas fields are in decline. An infill drilling campaign to extend the plateau on Ravva is ongoing and a campaign is also planned on CB/OS-2 in H2 2007.

The decrease in entitlement production of 18% to 22,486 boepd (H1 2006: 27,346 boepd) is due primarily to the reduction in overall field production at both CB/OS-2 and Sangu. The impact on entitlement production for Sangu is offset in part by the development expenditure incurred on the 2006/07 drilling campaign.

The Group's production mix continues to be gas biased (approximately 68% on an entitlement interest basis (2006: approximately 75%)). This, combined with contractual gas price caps, resulted in an average price realised by the Group for the period of $34.10 per boe (H1 2006: $31.03 per boe). The increase was mainly due to an increase in the proportion of oil to gas and also increased gas prices negotiated on Indian contracts.

SEISMIC ACTIVITIES IN RAJASTHAN

Gross profit
The Group generated a gross profit of $31.1m (H1 2006: $49.2m).

Cost of sales for the period was $107.6m (H1 2006: $104.7m). Cost of sales includes the write-off of unsuccessful exploration costs of $33.6m (H1 2006: $28.2m), including $19.9m in respect of South Sangu. The balance of $13.7m relates to exploration expenditure in India.

Production costs for the period were $30.4m (H1 2006: $31.1m). These include pre-exploration costs treated as an expense under IFRS 6 and stock movements of $3.3m. Production costs per boe have increased to $7.47 per boe (H1 2006: $6.29 per boe). Field costs are mainly fixed costs and, with the exception of approximately $2.2m of non-recurring workover costs in Ravva in H1 2007, overall production costs are relatively unchanged period on period. Production costs per boe have increased due to a reduction in entitlement production in the period.

The average Group rate for depletion and decommissioning has increased by 17% to $10.72 per boe (H1 2006: $9.16 per boe). This is in part due to the initial booking of Lakshmi oil reserves, including anticipated development expenditure. Depletion has also been impacted by the Group's change in oil price assumption from $30 per boe to $50 per boe, which has had the effect of reducing entitlement reserves.

Profit for the period
The Group made a profit of $1,523.8m for the period; $1,517.0m is attributable to the equity holders with the balance of $6.8m relating to minority interests.

Administrative expenses (net of other operating income) for the period were $33.9m (H1 2006: $22.8m). This includes a charge of $11.7m (H1 2006: $6.1m) for share-based payments and associated National Insurance Contributions in accordance with IFRS 2.

Net finance income for the period was $13.3m (H1 2006: net finance costs $13.6m), after recognising a foreign currency exchange loss of $21.2m (H1 2006: loss $10.0m). The majority of finance income relates to interest generated on cash balances held following the IPO. Exchange movements in 2007 arose primarily due to the further weakening of the US dollar against Sterling and the Indian Rupee.

Profit before tax and pre-exceptional items was $10.5m (H1 2006: profit $12.7m).

Exceptional items
The exceptional oil and gas write down of $15.3m reflects impairment arising from the recognition of final costs in relation to the Sangu-10 well.

The Group also made an exceptional gain of $1,537.6m on the disposal of 31% of Cairn India through the IPO, which completed in January of this year. Cairn retains a 69% interest in Cairn India. The $9.0m tax charge (H1 2006: $12.8m) consists of a charge of $15.2m on Cairn India profits and a tax credit of $6.2m in respect of the Capricorn group. The overall effective tax rate is low as there is no tax associated with the gain arising on the IPO.

Balance Sheet
Capital expenditure
Capital expenditure during the period was $211.7m (H1 2006: $128.7m), comprising $86.0m (H1 2006: $88.8m) on exploration/appraisal activities, $120.0m (H1 2006: $33.5m) on development activities and $5.7m (H1 2006: $6.4m) on other fixed assets.

The exploration expenditure during the period relates principally to continued drilling in Rajasthan and on the South Sangu-3 well in Bangladesh (South Sangu-3 was subsequently written off as unsuccessful in the period).

The majority of the development expenditure was in Rajasthan, infill drilling activity on Ravva and the Sangu-10 development well in Bangladesh (see exceptional items above).

CAIRN ENERGY PLC BOARD

Cash Flow

Cash flows from operating activities

Cash generated from group operations has increased to $86.7m (H1 2006: $72.5m). Tax payments during 2007 were $7.4m (H1 2006: $3.1m).

Cash flows from investing activities

	H1 2007 $m	H1 2006 $m
Exploration/appraisal expenditure	**58.3**	91.0
Development expenditure	**135.2**	30.6
Other expenditure	**4.9**	3.1
Total	**198.4**	124.7

Cash flows from financing activities

On 9 January 2007, Cairn India was floated on the BSE and the NSE, pursuant to Cairn's strategy of increasing the autonomy of that business and of realising value for shareholders.

The total proceeds (before expenses) raised in the flotation were $1,984m ($752m was received in 2006 and the balance of $1,232m was received in 2007). Of these proceeds, $949.5m (including expenses) were returned to shareholders in 2007 (representing £3 per share).

Cairn India retained $600m, with approximately $300m held to fund Cairn's ongoing business held by its subsidiary, Capricorn. This provides financial flexibility to support the growth of Capricorn, with the aim of creating and realising further value for shareholders in the future.

Net assets/net cash

Net assets at 30 June 2007 were $1,663.5m; $1,294.9m of which is attributable to equity shareholders with the remaining $368.6m relating to minority interests.

At the period end the Group had net cash of $847.2m, including 100% of Cairn India's net cash balances of $523.5m (H1 2006: $19.5m).

The Group signed a $1bn syndicated revolving credit facility on 27 June 2006. Following the IPO, the $150m corporate facility was cancelled and the remaining $850m transferred to Cairn India to finance the Rajasthan development. The amount available to draw-down at 30 June 2007 was $75m; the balance becomes available once certain conditions precedent are met regarding the Rajasthan development. The Cairn India group had net cash of $523.5m available at 30 June 2007 to fund ongoing activities.

Sir Bill Gammell
Chief Executive
11 September 2007

$1,523.8m

PROFIT AFTER TAX FOR H1 2007

$86.7m

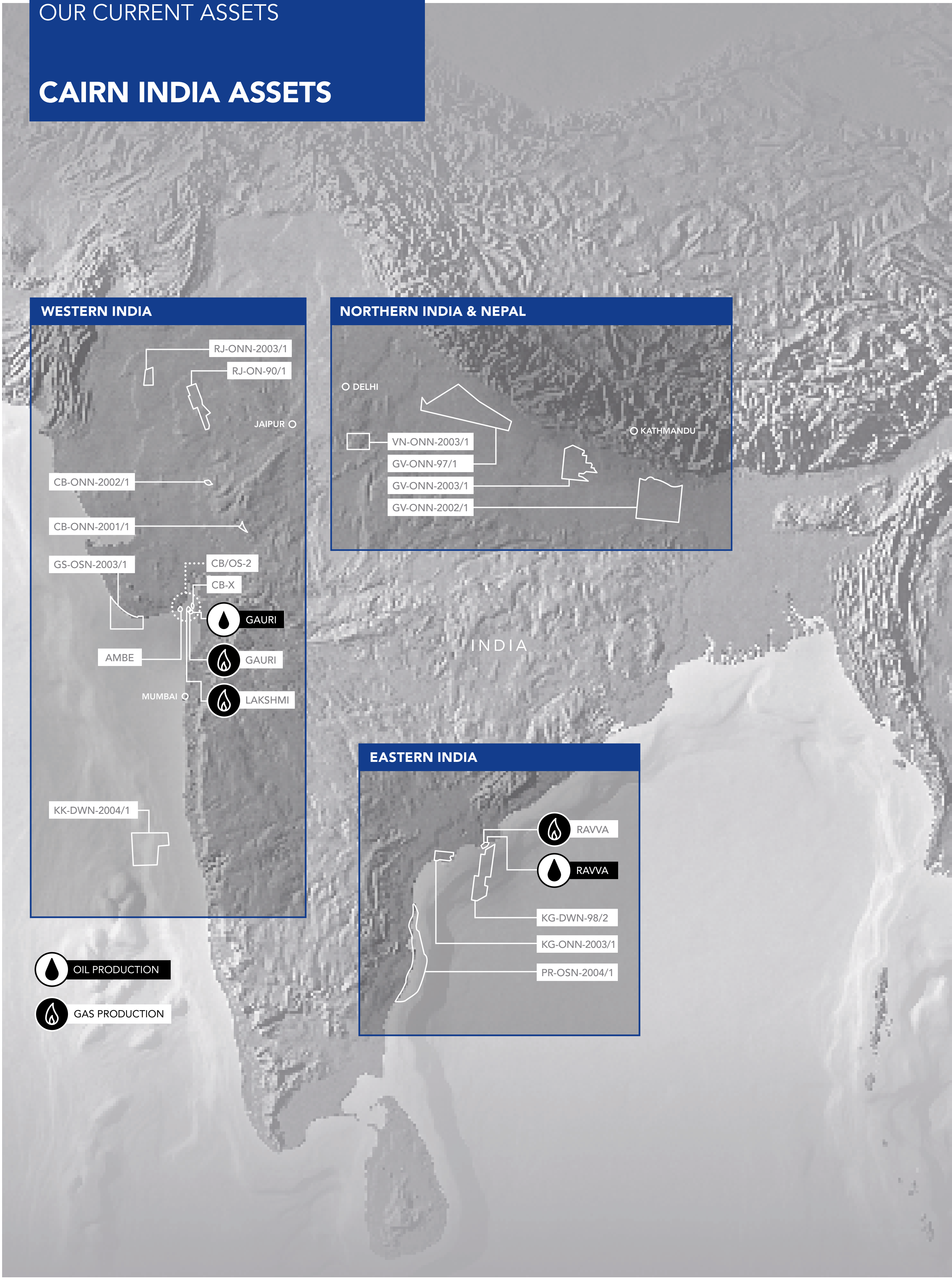
CASH GENERATED FROM OPERATIONS FOR H1 2007

$847.2m

GROUP NET CASH AT 30 JUNE 2007

OUR CURRENT ASSETS

CAIRN INDIA ASSETS



OUR CURRENT ASSETS

CAPRICORN ASSETS

GROUP

CAIRN'S GROSS OPERATED PRODUCTION ACROSS SOUTH ASIA DURING H1 2007, INCLUDING 100% OF CAIRN INDIA'S PRODUCTION, WAS 92,173 BOEPD (NET ENTITLEMENT 22,486 BOEPD).

CAIRN INDIA

RAJASTHAN BASIN – North West India

Block RJ-ON-90/1

Development Areas (Cairn India 70% (Operator); ONGC 30%)

A 120 km^2 3D seismic survey was completed over the Mangala field and processing of the data has started. An addendum to the Mangala FDP is currently under preparation for submission to the Joint Venture and the GoI.

The first phase of development drilling on Saraswati and Raageshwari has been completed. Development drilling on Mangala is scheduled to commence in 2008 and drilling rigs have been contracted for this programme.

All the permits and permissions required to begin major construction work have been granted. A number of contracts have been awarded and others are being progressed. Civil construction work is ongoing to meet the planned first oil production from Mangala in 2009.

The FDP for Bhagyam, the second largest field in Block RJ-ON-90/1, was approved by the Operating Committee in May and has subsequently been submitted to the Management Committee (MC) for approval. The Bhagyam (and Shakti) fields are contained within a second development area of 430 km^2.

The planned Bhagyam plateau production rate is 40,000 bopd. It is intended that the reserves associated with Bhagyam will be booked when MC approval of the FDP is obtained.

The Saraswati-Crest-1 exploration well, located approximately 0.8 km west of Sarasawati-3, was drilled in April and encountered two hydrocarbon bearing formations. Approximately 7 metres of net pay was encountered in the Dharvi-Dungar formation and approximately 4.5 metres of net pay was encountered in the Lower Barmer Hill. Saraswati-Crest-1 has been declared as a new discovery.

The Kameshwari 220 km^2 appraisal 3D seismic programme started in July to appraise further this section of the Development Area.

Enhanced Oil Recovery

Work is ongoing to confirm the optimal EOR techniques to implement in the Rajasthan block, with the aim of increasing ultimate oil recovery and extending the production plateau periods for each field. The first phase of third party laboratory studies, which are reviewing various chemical flooding options (polymer, alkaline, surfactant or combinations of these), has been completed for Mangala.

CAIRN INDIA TEAM

Further laboratory studies on Mangala will now take place and simulation work is ongoing. A pilot project to be implemented in 2009/2010 is currently being designed to demonstrate field-scale applicability of these techniques. Additional laboratory work continues for Bhagyam, to be followed by work on Aishwariya.

Northern Appraisal Area (Cairn India 100%)

The GoI awarded a six month extension to the Exploration Phase of the Northern Appraisal Area (NAA) of Block RJ-ON-90/1 effective from 8 May 2007.

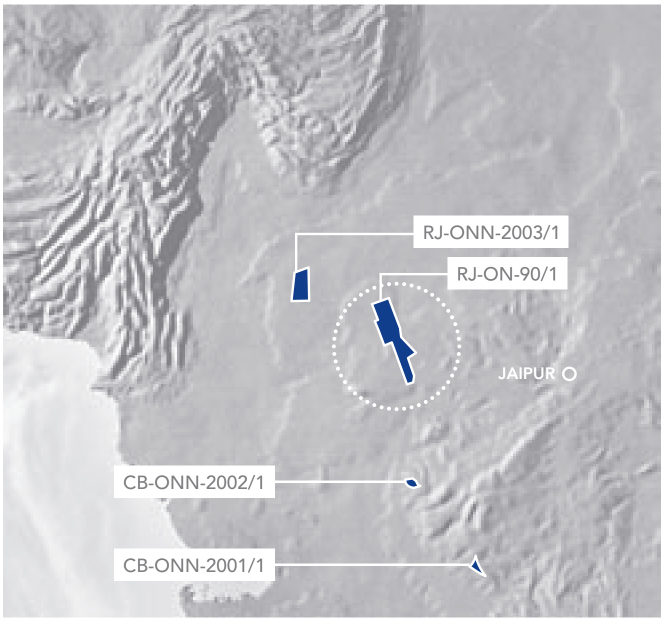
Appraisal drilling on the discoveries made in 2006 (Kameshwari West-2 and Kameshwari West-3) has been completed. These discoveries have opened up a new play in the Barmer Hill/Lower Dharvi Dungar sands on the western margin of the basin. While reservoir quality is variable, an appraisal programme involving five wells and 88 km of 2D seismic was completed to delineate further these discoveries and explore the full potential of the NAA. As part of this programme, Kameshwari West-6 tested 2.39 mmscfd and was declared as a new discovery.

A Declaration of Commerciality for these three discoveries is now being prepared (along with a proposed new Development Area) for submission to the GoI in H2 2007.

Block RJ-ONN-2003/1 (Cairn India 30%, ENI Operator)

In early January 2007, the Operator commenced acquisition of a 3D seismic survey on this Rajasthan block, which was awarded in the NELP-V licensing round. Acquisition and processing of the 622 km^2 3D seismic programme has subsequently been completed by the Operator.

RAJASTHAN BASIN – NORTH WEST INDIA



>3.6bn boe

RESOURCE BASE IN BLOCK RJ-ON-90/1

4 fields

CURRENTLY UNDER DEVELOPMENT:
MANGALA, AISHWARIYA, RAAGESHWARI & SARASWATI

Mangala

PREPARATION OF FDP ADDENDUM UNDER WAY

Bhagyam

FDP SUBMITTED

CAIRN INDIA – CONTINUED

CAMBAY BASIN – Western India

Block CB/OS-2: Lakshmi and Gauri Gas Fields (Cairn India 40% (Operator))
Average gross production from the Lakshmi and Gauri fields for H1 2007 was 15,238 boepd (comprising average oil and condensate production of 3,910 bopd and average gas production of 68 mmscfd).

A planned four well infill development drilling programme is scheduled to commence in H2 2007.

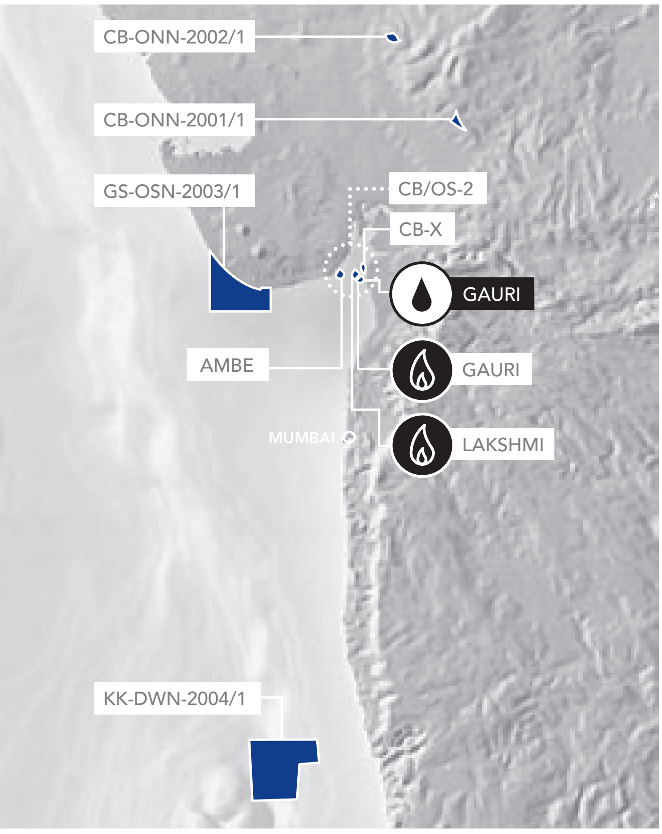
The onshore CB-X tie-in project was completed and delivered first gas in Q2 2007.

CB-ONN-2001/1 (Cairn India 30%, ONGC Operator)
A final commitment well on this block was drilled and abandoned in April.

CB-ONN-2002/1 (Cairn India 30%, ONGC Operator)
Three wells are scheduled to be drilled on this block during H2 2007 and early 2008.

GS-OSN-2003/1 (Cairn India 49%, ONGC Operator)
The Operator has acquired and processed a 3D marine seismic programme of 510 km^2 on this block.

CAMBAY BASIN – WESTERN INDIA



KRISHNA-GODAVARI BASIN – Eastern India

Ravva (Cairn India 22.5% (Operator))
Average gross production from the Ravva field for H1 2007 was 60,878 boepd (comprising average oil production of 48,769 bopd and average gas production of 72.7 mmscfd).

An extensive offshore infill development and exploration drilling programme on Ravva commenced in October 2006 and is nearing completion. Production has now commenced from three new infill wells and one appraisal well. In addition, two water injection wells have also been drilled and put into service to enhance the reservoir water-flood scheme.
The Ravva field has been on plateau for a number of years and the current drilling programme is aimed at continuing the strong production performance at Ravva.

The rig is currently operating on an exploration well, RX-8, on the MM301 prospect, which has to date discovered 44 metres of oil and gas pay in four Lower to Upper Miocene age sands. A further three work-over wells are planned to enhance production capacity. Earlier in the year the RX-10 exploration well encountered 11 metres of gas pay in Late Miocene sands.

KG-DWN-98/2 (Cairn India 10%, ONGC (Operator))
The KT-1 Cretaceous exploration well was spudded in June and drilling is ongoing.

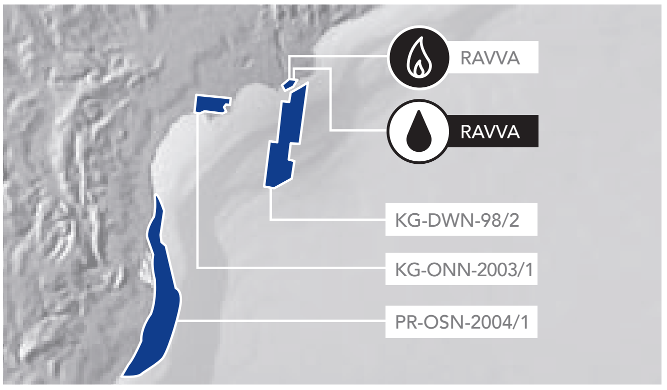
KG-ONN-2003/1 (Cairn India 49%, Operator*)
Plans are under way to commence a seismic acquisition programme of 2D and 3D data on this block in late 2007/ early 2008.

PR-OSN-2004/1 (Cairn India Limited 35%, Operator)
This block was awarded in the NELP-VI licensing round and covers an area of 9,400 km^2. A 2D seismic programme is being planned for early 2008.

KK-DWN-2004/1 (Cairn India Limited 40%, ONGC Operator)
This block was awarded in the NELP-VI licensing round and covers an area of 12,324 km^2. A 2D seismic programme is planned by the Operator in early 2008.

* The PSC provides that ONGC is the proposed operator for the development and production of these blocks.

KRISHNA-GODAVARI BASIN – EASTERN INDIA



CAIRN INDIA & CAPRICORN

HIMALAYAN FORELAND BASIN – Northern India

Ganga Valley
GV-ONN-2002/1 (Cairn India 50% (Operator), Capricorn 50%)
An aeromagnetic survey was completed on this block in April and a 500 km 2D seismic acquisition programme was completed in early August. Processing of this data has been completed and planning has commenced for drilling a commitment well in 2008.

GV-ONN-97/1 (Cairn India 15%, Capricorn 15%; ONGC Operator)
A final commitment well on this block is expected to be drilled in late 2007/early 2008.

GV-ONN-2003/1 (Cairn India 24% (Operator)*, Capricorn 25%)
A 550 km 2D seismic acquisition programme is scheduled to commence in early 2008.

VN-ONN-2003/1 (Cairn India 24% (Operator)*, Capricorn 25%)
Seismic reprocessing is under way and planning will commence later in 2007 for a 2D seismic acquisition programme which is expected to commence in 2008.

* The PSC provides that ONGC is the proposed operator for the development and production of these blocks.

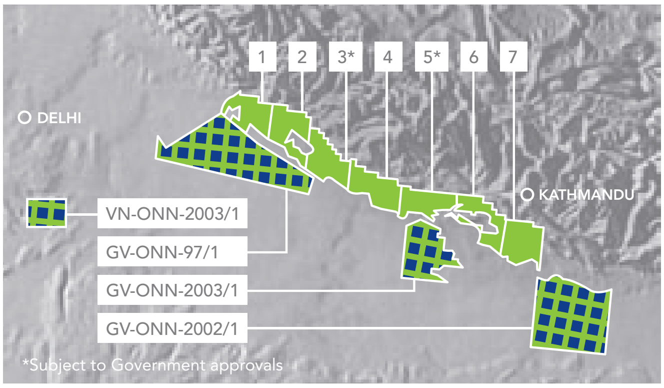
CAPRICORN

HIMALAYAN FORELAND BASIN – Nepal

Blocks 1, 2, 4, 6 & 7 (Capricorn 100% (Operator))
The security situation in Nepal continues to be monitored closely and a contractual *force majeure* remains in place on these blocks. As soon as the security situation permits, planning for seismic acquisition operations will commence. An office in Kathmandu has been already been established to support Capricorn's activities in Nepal.

Capricorn has also reached agreement with Texana for the assignment of a 100% interest in Blocks 3 and 5 pending the approval of the Government of Nepal.

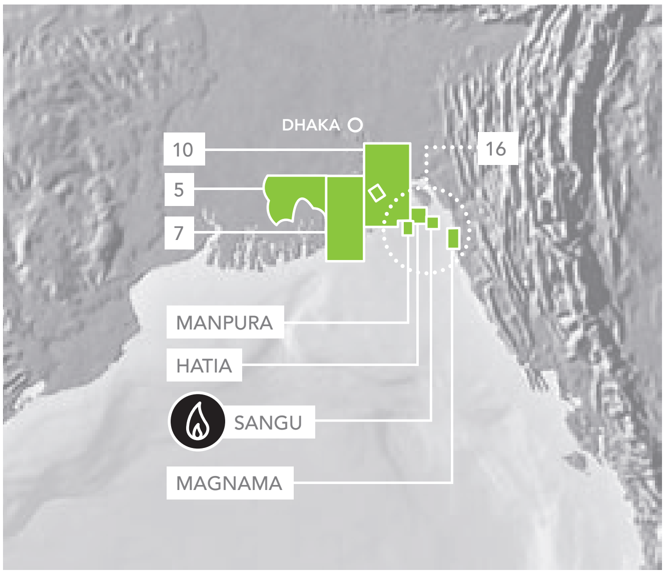
HIMALAYAN FORELAND BASIN – NEPAL & NORTHERN INDIA



DRILLING OPERATIONS

CAPRICORN – CONTINUED

BENGAL BASIN – BANGLADESH



INFILL DRILLING

BENGAL BASIN – Bangladesh

Sangu (Capricorn 75% (Operator))
The Sangu gas field, which is in decline, has produced in excess of 420 bscf since commencement of production in 1998. To date, the Sangu joint venture has generated gross revenue in excess of $850m.

An offshore drilling programme was completed during H1 2007 and comprised one appraisal well (South Sangu-3) and one development well (Sangu-10, targeting a potentially undrained compartment in the main Sangu field). A planned third well (an exploration well on the Hatia prospect) was not drilled due to operational delays on the first two wells and the need to demobilise the drilling rig prior to the onset of the monsoon season.

South Sangu-3 encountered non-commercial quantities of gas and was plugged and abandoned. The South Sangu discovery will now not be developed.

Sangu-10, which was drilled as an extended reach delineation well in the main Sangu field, did not encounter gas in the main reservoir horizon, but encountered small, potentially producible quantities of gas in a separate upper horizon and has been suspended. It is intended to complete the gas bearing interval during Q4 2007.

A separate high impact exploration drilling campaign targeting the Magnama prospect is scheduled to commence in October 2007. In the event of a discovery on Magnama, the second well in the programme will be a Magnama appraisal well. If the exploration well on Magnama is unsuccessful, it will instead be followed by an exploration well on the Hatia prospect.

Blocks 5 & 10 (Capricorn 90% (Operator))
A 392 km 2D seismic survey has been completed on Block 10 and a further 296 km 2D survey has been completed on Block 5. Processing of this data is close to completion.

Block 7 (Capricorn 45%)
A 2D seismic survey of 1,054 km was acquired during 2006 and evaluation of the potential of this block is ongoing.

- **HIGH IMPACT EXPLORATION DRILLING CAMPAIGN TARGETING THE MAGNAMA PROSPECT IS SCHEDULED TO COMMENCE IN OCTOBER 2007**
- **APPLICATIONS SUBMITTED FOR EXPLORATION BLOCKS IN GREENLAND**

GROUP

GROUP PRODUCTION

The Group's average entitlement production for H1 2007 was 22,486 boepd net to Cairn compared to 27,346 boepd in H1 2006.

The figures in the table below show group production for H1 2007 on a gross, working interest and entitlement basis (including 100% of Cairn India's production).

Production (boepd)	Ravva	CB/OS-2	Sangu	Total
Gross field	60,878	15,238	16,057	**92,173**
Working interest	13,698	6,095	12,043	**31,836**
Entitlement interest	7,204	5,654	9,628	**22,486**

Group production during H1 2007 was 68% gas: 32% oil and condensate. On commencement of oil production from Rajasthan, the majority of Group production will be oil (currently estimated to be approximately 90%).

GROUP RESERVES

The table below shows reserves information at the end of June 2007 on an entitlement basis for the Group (including 100% of Cairn India's reserves).

	Reserves 31.12.06 mmboe	Produced in 2007 mmboe	Additions in 2007 mmboe	Revisions in 2007 mmboe	**Reserves 30.06.07 mmboe**
India	185.7	(2.3)	1.1	(25.9)	**158.6**
Bangladesh	10.3	(1.8)	–	0.8	**9.3**
Total	196.0	(4.1)	1.1	(25.1)*	**167.9**

*The downward revision to entitlement reserves of 25.1 mmboe in H1 2007 is mainly as a result of the change in the Group's oil price assumption (see below).

On a direct working interest basis, reserves as at 30 June 2007 totalled 227.9 mmboe (31 December 2006: 230.5 mmboe), comprising 215.8 mmboe in India and 12.1 mmboe in Bangladesh.

For accounting and reserves purposes, the Group has used an oil price assumption of $50 per boe (real) for the period (2006: $30 per boe). The table below shows the impact of differing oil prices on net entitlement reserves.

Oil Price ($/boe)	Net Entitlement Reserves (boe)	Increase/(reduction) compared to $50/boe base case (boe)
$30	194.9	27.0
$40	179.3	11.4
$50	**167.9**	**–**
$60	158.3	(9.6)

RAJASTHAN

WE ARE COMMITTED TO BEHAVING RESPONSIBLY TOWARDS OUR PEOPLE, THE ENVIRONMENT AND THE COMMUNITIES IN WHICH WE WORK

Cairn/IFC

JOINT COMMUNITY PROGRAMME IN RAJASTHAN

9 years

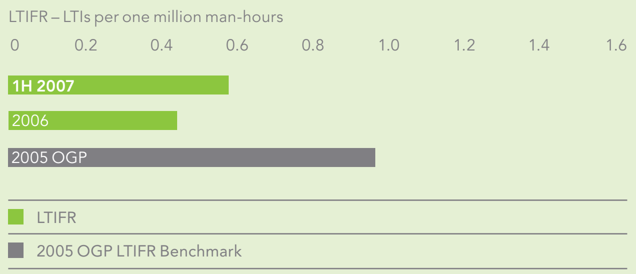
WITHOUT A LOST TIME INJURY (LTI) AT SANGU

H1 2007 HIGHLIGHTS

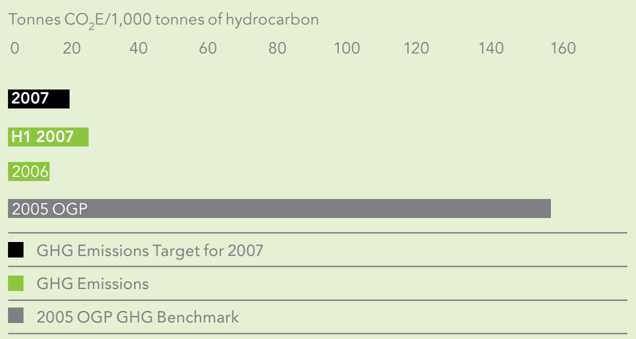
- IMPLEMENTATION OF NEW CORPORATE RESPONSIBILITY (CR) MANAGEMENT SYSTEM UNDER WAY
- ALL PERMITS IN PLACE TO ALLOW CONSTRUCTION OF RAJASTHAN FACILITIES TO COMMENCE
- ON TRACK TO MEET 2007 ENVIRONMENTAL TARGETS IN INDIA
- ISO 14001 CERTIFICATION RETAINED IN ALL PRODUCING SITES

CAPRICORN

LOST TIME INJURY FREQUENCY RATE (LTIFR) 1H 2007

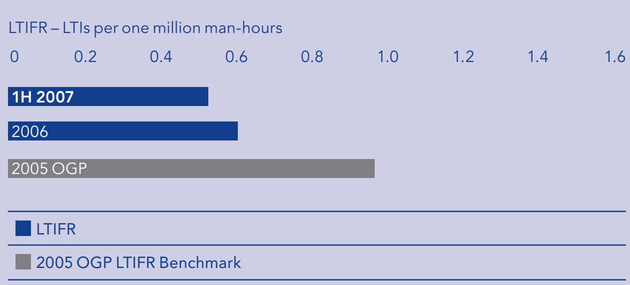


GREENHOUSE GAS (GHG) EMISSIONS FROM PRODUCTION ACTIVITIES 1H 2007

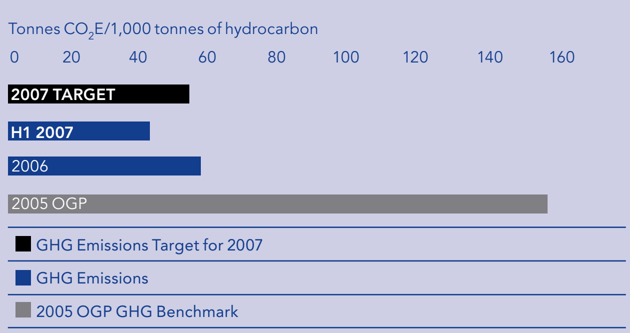


CAIRN INDIA

LOST TIME INJURY FREQUENCY RATE (LTIFR) 1H 2007



GREENHOUSE GAS (GHG) EMISSIONS FROM PRODUCTION ACTIVITIES H1 2007



Following the successful completion of the IPO of Cairn Indian January 2007, responsibility for management of Corporate Responsibility (CR) activities in India has been transferred to the Cairn India management team. An update on CR programmes and performance in Capricorn and Cairn India during the first half of 2007 is provided in the following sections.

Capricorn

The updated CR Management System has been finalised and rolled out in Bangladesh. The CR Management System, which was developed jointly with Cairn India, incorporates improvements since the previous version issued in 2002. It adopts a gated process which identifies CR requirements at key milestones across the field life cycle, from first entry to decommissioning.

The progress of CR programmes in support of activities in Bangladesh and the performance during the first half of 2007 are summarised below:

- Safety performance continues to be excellent at the Sangu Field where the team have now achieved nine years without a lost time incident. A minor injury during the drilling operations in Block 16 however meant that the overall LTIFR at the end of June 2007 for Capricorn rose slightly to 0.6 per million man-hours compared to 0.4 per million man-hours in 2006.
- During the seismic activities on Block 5, a third party fatality occurred when a vehicle working on behalf of the seismic contractor on Block 5 struck a pedestrian. Cairn has subsequently conducted investigations to determine the 'lessons learnt' and has implemented recommendations with the aim of preventing any further fatalities.
- The Sangu Field retained its ISO 14001 certification following a surveillance audit by the independent verifier.
- The Sangu plant operates very efficiently and produces low levels of emissions to air, as evidenced by comparison with the OGP benchmark. Flaring during well intervention activities on the Sangu 4 well however, resulted in methane and GHG emissions exceeding 2007 targets.
- Discussions have continued with the authorities regarding produced water discharge levels from the Sangu plant into the Bay of Bengal. Pilot tests have been conducted on a filtering system to reduce residual amounts of hydrocarbons carried over into the water discharge ponds. The 2007 target for oil discharged in water per unit of water discharged has been met.
- The Drilling Health, Safety and Environment (HSE) Management Plan was successfully implemented on the two well drilling programme completed in May 2007. Planning for the next drilling programme is well advanced with implementation of the Drilling HSE Management Plan and renewal of environmental clearances under way.

- A Sangu bypass pipeline project was completed in February 2007 without encountering any significant complaints from project-affected people, and there are no compensation claims outstanding. The land registration process is 92% complete, with the remaining 8% expected to be registered soon.
- The marine turtle conservation project supported by Cairn has completed a handbook and video on turtles to raise awareness of their conservation needs.

Cairn India

During the first half of 2007, Cairn India CR events included:

- Cairn's seismic operations in Bihar and the production plant at Suvali achieved one million and four million man-hours, respectively, without a LTI. During the first half of 2007 Cairn India's LTIFR was 0.5 per million man-hours which is lower than in 2006.
- Cairn India is on course to meet it's environmental targets for the year. During the first half of 2007, Cairn India achieved less emissions to air and water than targeted and emissions continue to be lower than the corresponding OGP benchmark for the oil and gas industry.
- In Rajasthan guidance on land acquisition and local stakeholder engagement has been enhanced through the development and disclosure of a new Framework Land Acquisition & Compensation Plan and Public Consultation & Disclosure Plan.
- Donor and cooperation agreements have been finalised with International Finance Corporation for three community projects in Barmer: an Enterprise Centre for local enterprise and vocational skill development; a rural dairy development project to create alternative income generation activities for local communities; and a child and maternal health awareness project for women and children.
- The first phase of a study into the bioremediation of drill cuttings in Rajasthan has been successfully completed. The second study phase has been launched to explore the viability of treating larger quantities of waste (100 tonnes each at two sites).
- An energy audit at Ravva has been conducted to identify areas where there is potential for energy conservation and an associated reduction in emissions from electricity generation.
- A gas ejector for compressing and recovering low pressure gas from the liquid handling system was installed at our Suvali facilities in Gujarat, resulting in a substantial reduction in flaring.
- Further workshops have been conducted in Ravva and Suvali to raise awareness of our human rights policies and procedures in the exploration and production business. Following on from the human rights workshops in 2006 in Patna with the Bihar Military Police, further human rights training was carried out in February for the constables supporting the planned seismic survey. The subsequent seismic survey was completed without any security incidents.
- New community projects have been initiated in Bihar: a six month health awareness project in partnership with the Bihar Voluntary Health Organisation, covering 3,500 people and 31 villages; and a training programme for over 1,500 farmers in 37 villages on composting and improved farming practices. The aim is to help improve top soil that has been damaged as a result of repeated flooding.

SCHOOL CHILDREN IN BANGLADESH

ACCOUNTS

GROUP INCOME STATEMENT

For the six months to 30 June 2007

	Notes	Six months to 30 June 2007 (unaudited) $'000	Six months to 30 June 2006 (unaudited) $'000	Year ended 31 December 2006 (audited) $'000
Revenue		138,711	153,861	286,304
Cost of sales				
Production costs		(30,409)	(31,115)	(56,931)
Unsuccessful exploration costs		(33,575)	(28,238)	(62,018)
Depletion and decommissioning charge		(43,646)	(45,347)	(103,487)
Gross profit		31,081	49,161	63,868
Other operating income		2,979	2,364	3,340
Administrative expenses		(36,925)	(25,197)	(60,323)
Exceptional impairment of oil and gas assets		(15,335)	(5,710)	(71,455)
Operating (loss)/profit		(18,200)	20,618	(64,570)
Exceptional gain on deemed disposal of subsidiary		1,537,585	–	–
Finance income		38,495	1,525	4,603
Finance costs		(25,152)	(15,156)	(30,609)
Profit/(loss) before taxation		1,532,728	6,987	(90,576)
Taxation credit/(expense) on profit/(loss)				
– UK		7,080	4,448	38,920
– Overseas		(16,038)	(17,229)	(30,361)
Profit/(loss) for the period		1,523,770	(5,794)	(82,017)
Attributable to:				
Equity holders of the parent		1,516,945	(5,794)	(82,017)
Minority interests		6,825	–	–
Earnings per ordinary share – basic (cents) (attributable to equity holders of the parent)	1	1,067.81	(3.68)	(52.02)
Earnings per ordinary share – diluted (cents) (attributable to equity holders of the parent)	2	1,065.60	(3.68)	(52.02)

Notes:

1 The basic earnings per ordinary share is calculated on a profit of $1,516,945,000 (H1 2006: loss of $5,794,000) on a weighted average of 142,061,461 (H1 2006: 157,538,718) ordinary shares.

2 In respect of the six months to 30 June 2007, the diluted earnings per ordinary share is calculated on a profit of $1,516,945,000 (H1 2006: loss of $5,794,000) on 142,355,748 (H1 2006: 157,538,718) ordinary shares, being the basic weighted average of 142,061,461 (H1 2006: 157,538,718) ordinary shares and the dilutive potential ordinary shares of 294,287 (H1 2006: 835,055 anti-dilutive) ordinary shares relating to share options.

3 No dividend has been declared (2006: nil).

GROUP STATEMENT OF CHANGES IN EQUITY

For the six months to 30 June 2007

	Six months to 30 June 2007 (unaudited) $'000	Six months to 30 June 2006 (unaudited) $'000	Year ended 31 December 2006 (audited) $'000
Opening equity attributable to equity holders	681,170	757,598	757,598
Currency translation differences	30,045	8,769	10,725
Total income recognised direct in equity	30,045	8,769	10,725
Profit/(loss) for the period	1,523,770	(5,794)	(82,017)
Total recognised income and expenses for the period	1,553,815	2,975	(71,292)
Total recognised income and expenses attributable to minority interests	(9,977)	–	–
Total recognised income and expenses attributable to equity holders for the period	1,543,838	2,975	(71,292)
New shares issued in respect of employee share options	5,851	1,681	3,219
Share based payments	10,704	2,722	13,304
Return of cash to shareholders	(946,613)	–	–
Cost of shares purchased	–	(22,294)	(21,659)
Closing equity attributable to equity holders	1,294,950	742,682	681,170
Minority interests			
Minority interest arising on deemed disposal of subsidiary	356,191	–	–
Total recognised income and expenses attributable to minority interests:			
Profit for the period	6,825	–	–
Currency translation differences	3,152	–	–
Share based payments attributable to minority interests	2,424	–	–
Closing equity attributable to minority interests	368,592	–	–
Total closing equity	1,663,542	742,682	681,170

GROUP BALANCE SHEET

As at 30 June 2007

	Notes	As at 30 June 2007 (unaudited) $'000	As at 30 June 2006 (unaudited) $'000	As at 31 December 2006 (audited) $'000
Non-current assets				
Intangible exploration/appraisal assets		460,558	380,871	419,239
Property, plant and equipment – development/producing assets		466,163	445,194	394,010
Property, plant and equipment – other		7,197	6,738	5,891
Intangible assets – other		9,088	3,295	6,724
Investments		96	96	96
Deferred tax assets		23,447	6,784	18,911
		966,549	842,978	844,871
Current assets				
Inventory		5,891	3,728	4,615
Trade and other receivables	3	209,310	164,317	218,159
Current tax debtor		–	5,938	–
Cash and cash equivalents		922,225	44,476	856,266
		1,137,426	218,459	1,079,040
Total assets		2,103,975	1,061,437	1,923,911
Current liabilities				
Trade and other payables		161,928	105,445	897,232
Obligations under finance leases		1,891	1,101	1,380
Provisions		10,217	–	6,845
Derivative financial instruments		–	–	9,694
Income tax liabilities		4,447	15,164	6,064
		178,483	121,710	921,215
Non-current liabilities				
Loans and borrowings		75,000	25,000	155,000
Obligations under finance leases		3,112	3,546	3,092
Provisions		24,921	20,606	24,740
Deferred tax liabilities		158,917	147,893	138,694
		261,950	197,045	321,526
Total liabilities		440,433	318,755	1,242,741
Net assets		1,663,542	742,682	681,170
Equity attributable to equity holders of the parent				
Called-up share capital	5	15,817	25,824	25,870
Share premium		206,812	199,527	201,019
Shares held by ESOP Trust		(45,886)	(54,792)	(55,756)
Foreign currency translation		29,693	842	2,798
Other reserves		37,284	37,284	37,284
Capital reserves – non-distributable		45,331	45,331	45,331
Capital reserves – distributable		178,429	178,429	178,429
Retained earnings		827,470	310,237	246,195
		1,294,950	742,682	681,170
Minority interests		368,592	–	–
Total equity		1,663,542	742,682	681,170

Notes: See pages 30 to 33.

GROUP STATEMENT OF CASH FLOWS

For the six months to 30 June 2007

	Six months to 30 June 2007 (unaudited) $'000	Six months to 30 June 2006 (unaudited) $'000	Year ended 31 December 2006 (audited) $'000
Cash flows from operating activities			
Cash generated from operations	86,670	72,477	207,199
Interest paid	(4,393)	(1,510)	(5,599)
Income tax paid	(7,420)	(3,148)	(12,184)
Net cash generated from operating activities	74,857	67,819	189,416
Cash flows from investing activities			
Expenditure on exploration/appraisal assets	(58,281)	(91,003)	(157,535)
Expenditure on development/producing assets	(135,171)	(30,580)	(114,995)
Purchase of property, plant and equipment – other	(1,527)	(821)	(1,346)
Purchase of intangible assets – other	(3,377)	(2,295)	(7,779)
Proceeds on disposal of property, plant and equipment	–	43	20
Movement in funds on bank deposit	–	20,000	20,000
Interest received	36,021	2,824	5,568
Net cash used in investing activities	(162,335)	(101,832)	(256,067)
Cash flows from financing activities			
Payments for IPO costs	(64,304)	–	(23,276)
Proceeds from IPO	1,232,257	–	751,849
Arrangement and facility fees	(6,572)	–	(17,074)
Currency exchange option	(9,694)	–	–
Proceeds from issue of shares	5,851	1,681	3,219
Purchase of own shares	–	(22,294)	(21,659)
Payment of finance lease liabilities	(624)	(607)	(285)
(Repayment)/drawdown of loan facilities	(80,000)	25,000	155,000
Return of cash to shareholders	(949,454)	–	–
Net cash flows from financing activities	127,460	3,780	847,774
Net increase/(decrease) in cash and cash equivalents	39,982	(30,233)	781,123
Opening cash and cash equivalents at beginning of period	856,266	75,509	75,509
Exchange gains/(losses) on cash and cash equivalents	25,977	(800)	(366)
Closing cash and cash equivalents	922,225	44,476	856,266

RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

For the six months to 30 June 2007

	Six months to 30 June 2007 (unaudited) $'000	Six months to 30 June 2006 (unaudited) $'000	Year ended 31 December 2006 (audited) $'000
Profit/(loss) before taxation	1,532,728	6,987	(90,576)
Exceptional gain on deemed disposal of subsidiary	(1,537,585)	–	–
Finance income	(38,495)	(1,525)	(4,603)
Finance costs	25,152	15,156	30,609
Depletion, depreciation decommissioning and amortisation	46,894	48,590	110,494
Share-based payments charge	13,128	2,722	13,304
Inventory movement	(1,276)	1,805	918
Trade receivables movement	11,410	(28,300)	(7,037)
Trade payables movement	(16,761)	(5,287)	15,139
Movement in other provisions	2,728	(1,605)	5,762
Gain on sale of other non-current assets	–	(2)	(2)
Exceptional impairment of oil and gas assets	15,335	5,710	71,455
Unsuccessful exploration costs	33,575	28,238	62,018
Foreign exchange differences	(163)	(12)	(282)
Net cash inflow from operating activities	86,670	72,477	207,199

NET FUNDS

As at 30 June 2007

	At 1 January 2007 $'000	Cash flow $'000	New finance leases $'000	Exchange movements $'000	At 30 June 2007 $'000
Cash at bank	27,573	26,850	–	11,714	66,137
Short term deposits	828,693	13,132	–	14,263	856,088
Cash and cash equivalents	856,266	39,982	–	25,977	922,225
Bank loans	(155,000)	80,000	–	–	(75,000)
Net cash	701,266	119,982		25,977	847,225
Finance leases	(4,472)	624	(768)	(387)	(5,003)
Net funds	696,794	120,606	(768)	25,590	842,222

1. Accounting Policies

Basis of Preparation

This interim report has been prepared on a basis consistent with the accounting policies expected to be applied for the year ended 31 December 2007 and is also consistent with the accounting policies applied for the year ended 31 December 2006. 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 2006, on which the auditors gave an unqualified report, have been filed with the Registrar of Companies.

2. Segmental Analysis – Operating segments

The Group's operating segments were revised to reflect the organisational structure following the restructuring carried out in anticipation of the IPO in India.

During the period ended 30 June 2007, the Group's operating activities were internally reported to the chief operating decision maker based on two separable areas grouped into different subsidiary entities: Capricorn Energy Limited Group and Cairn India Limited Group. A third segment 'Other' exists to accumulate Cairn UK Holdings Limited and Cairn Energy PLC company which will include the administrative expenses of Cairn's head office in Edinburgh. This also includes taxation and interest expenses of the Group which cannot be allocated to an operating segment.

During the period to 30 June 2006 the operating segments were North Sea, South Asia and Head Office Costs. Comparative information has been presented to reflect the new operating segments. There is no overall financial impact of this change.

The segment results for the period ended 30 June 2007 are as follows:

	Cairn India Limited Group $'000	Capricorn Energy Limited Group $'000	Other $'000	Group 2007 $'000
Revenue from sale of oil, gas and condensate	107,680	30,670		138,350
Tariff income	361	–	–	361
Total revenue	108,041	30,670	–	138,711
Total cost of sales	(60,273)	(47,357)	–	(107,630)
Gross profit	47,768	(16,687)	–	31,081
Segmental operating profit/(loss)	32,919	(33,058)	(18,061)	(18,200)
Cost of sales in the segment results above includes:				
Production costs	18,947	11,462	–	30,409
Unsuccessful exploration costs	13,685	19,890	–	33,575
Depletion and decommissioning charge	27,641	16,005	–	43,646
	60,273	47,357	–	107,630
Other segment items included in the Income Statement are:				
Impairment of oil and gas assets	–	15,335	–	15,335
Depreciation	759	–	284	1,043
Amortisation	1,908	–	297	2,205
Exceptional gain on deemed disposal of subsidiary	–	–	1,537,585	1,537,585

The segment results for the period ended 30 June 2006 were as follows:

	Cairn India Limited Group $'000	Capricorn Energy Limited Group $'000	Other $'000	Group 2006 $'000
Revenue from sale of oil, gas and condensate	120,620	32,985	–	153,605
Tariff income	256	–	–	256
Total revenue	120,876	32,985	–	153,861
Total cost of sales	(80,079)	(24,621)	–	(104,700)
Gross profit	40,797	8,364	–	49,161
Segmental operating profit/(loss)	37,016	2,234	(18,632)	20,618
Cost of sales in the segment results above includes:				
Production costs	22,090	9,025	–	31,115
Unsuccessful exploration costs	28,238	–	–	28,238
Depletion and decommissioning charge	29,751	15,596	–	45,347
	80,079	24,621	–	104,700
Other segment items included in the Income Statement are:				
Depreciation	1,319	–	243	1,562
Amortisation	1,095	–	586	1,681

The segment assets and liabilities as at 30 June 2007 and capital expenditure for the period then ended are as follows:

	Cairn India Limited Group $'000	Capricorn Energy Limited Group $'000	Other $'000	Group 2007 $'000
Assets	1,595,434	291,397	217,144	2,103,975
Liabilities	385,183	45,073	10,177	440,433
Capital expenditure	139,210	69,442	3,075	211,727

The segment assets and liabilities as at 30 June 2006 and capital expenditure for the period then ended are as follows:

	Cairn India Limited Group $'000	Capricorn Energy Limited Group $'000	Other $'000	Group 2006 $'000
Assets	815,965	234,186	11,286	1,061,437
Liabilities	270,831	46,809	1,115	318,755
Capital expenditure	120,335	6,935	1,442	128,712

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

Segment liabilities comprise operating liabilities and exclude items such as taxation, corporate borrowings and inter-company balances.

Other assets include assets of Cairn's head office in Edinburgh, as well as deferred tax assets, interest receivable, deposits, cash and cash equivalents of the Group which cannot be allocated to an operating segment.

Other liabilities include liabilities of Cairn's head office in Edinburgh, as well as income tax liabilities and deferred tax liabilities of the Group which cannot be allocated to an operating segment.

Capital expenditure comprises intangible exploration/appraisal asset additions and acquisitions; property, plant and equipment – development/producing asset additions and acquisitions; property, plant and equipment – other additions; and intangible assets – other additions.

Business Segments

Cairn operates in only one business segment, being the oil and gas extractive industry, and therefore no business segmental analysis is provided.

3. Trade and Other Receivables

Included within the Trade and Other Receivables balance are outstanding and overdue cash calls of $69.2 million receivable from the Rajasthan joint venture partner ONGC. Management is currently pursuing payment of this amount.

4. Contingent Liabilities

Ravva Arbitration

The calculation of the GoI's share of petroleum produced from the Ravva oil field has been a matter of disagreement for some years. Ravva is an unincorporated Joint Venture in which Cairn has an interest.

An arbitration panel opined in October 2004 and Cairn has been willing to be bound by the award, although it was not as favourable as had been hoped. The GoI, however, has lodged an appeal in the Malaysian courts and Cairn continues to maintain their challenge to the GoI's appeal.

Cairn has challenged both the GoI's right to appeal and the grounds of that appeal. If the GoI were successful on both these points, it is unclear what process would then follow to resolve the original issue under dispute. Cairn will defend its right to continue to refer to the existing arbitration panel, whose composition and terms of reference were agreed by all parties at the outset. It is expected that this appeal will be heard in November 2007.

In the event that the GoI's appeal succeeds and a process then ensues which concludes with the arbitration award being reversed in a manner and a forum which Cairn accepts as binding, then Cairn would be due to pay an additional $63.9m.

In a separate and unrelated dispute related to the profit petroleum calculations under the Ravva PSC, the Ravva JV received a claim from the DGH for approximately $166.4m (representing $37.4m net to Cairn) for an alleged underpayment of profit petroleum to the GoI, together with interest on that amount through to 30 June 2006 of $30.6m (representing $6.9m net to Cairn).

This claim relates to the GoI's allegation that the Ravva JV has recovered costs in excess of the Base Development Costs ('BDC') cap imposed in the PSC and that the Ravva JV has also allowed these excess costs in the calculation of the PTRR. Cairn believes that such a claim is unsustainable under the terms of the PSC because, amongst other reasons, the BDC cap only applies to the initial development of the Ravva field and not to subsequent development activities under the PSC. Additionally the Ravva JV has also contested the basis of the calculation in the above claim from the DGH. Even if upheld, Cairn believes that the DGH has miscalculated the sums that would be due to the GoI in such circumstances.

5. Share Capital

	Number 5p B Shares '000	Number 10p Ordinary '000	Number 6 2/13p Ordinary '000
Authorised ordinary shares			
At 1 January 2007	–	225,000	–
Consolidation of shares	160,468	(225,000)	365,625
B Shares repurchased and cancelled	(160,468)	–	–
At 30 June 2007	–	–	365,625

	Number 5p B Shares $000	Number 10p Ordinary $000	Number 6 2/13p Ordinary $000	10p Ordinary $000	6 2/13p Ordinary $000
Allotted, issued and fully paid ordinary shares					
At 1 January 2007	–	160,287	–	25,870	–
Issued and allotted for employee share options – pre consolidation	–	181	–	36	–
Consolidation of shares	160,468	(160,468)	130,380	(25,906)	15,795
B Shares repurchased and cancelled	(160,468)	–	–	–	–
Issued and allotted for employee share options – post consolidation	–	–	183	–	22
At 30 June 2007	–	–	130,563	–	15,817

At the extraordinary general meeting held on 22 March 2007, it was resolved that the 160,467,920 existing ordinary shares of 10 pence each be replaced by 130,380,185 new ordinary shares of 6 2/13 pence each and 160,467,920 B shares of 5 pence each. The effective date of this transaction was 23 March 2007.

The B share scheme allowed Cairn to return to shareholders approximately $949m (including expenses) of the proceeds from the flotation, on 9 January 2007, of its Indian business, Cairn India. The B shares were not listed on the Official List or admitted to trading on the London Stock Exchange. As at the Balance Sheet date, all B shares had been fully converted to cash.

In order to make the market price of a Cairn share comparable before and after the return of cash to shareholders, a share consolidation was carried out to convert 16 existing ordinary shares of 10 pence each to 13 new ordinary shares of 6 2/13 pence each. Following the share capital consolidation, Cairn's authorised equity share capital was 365,625,000 shares of 6 2/13 pence each.

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 2007 which comprises the Group Income Statement, Group Statement of Changes in Equity, Group Balance Sheet, Group Statement of Cash Flows, Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities, Net Funds statement and the related note 1. 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 contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by 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 tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) 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 2007.

Ernst & Young LLP
London
11 September 2007

GLOSSARY OF TERMS

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

Corporate

BSE	Bombay Stock Exchange
Cairn or Cairn Energy	Cairn Energy PLC and/or its subsidiaries as appropriate
Cairn India	Cairn India Limited
Capricorn	Capricorn Energy Limited
Company	Cairn Energy PLC
DGH	Director General of Hydrocarbons
Dyas	Dyas BV; subsidiary of SHV Holdings N.V.
GoI	Government of India
Group	the Company and its subsidiaries
IPO	initial public offering (of shares in Cairn India Limited)
medOil	medOil plc
NELP	New Exploration Licensing Policy
NELP V	Fifth New Exploration Licensing Policy round
NELP VI	Sixth New Exploration Licensing Policy round
NSE	National Stock Exchange of India Limited
ONGC	Oil and Natural Gas Corporation Ltd
Plectrum	Plectrum Petroleum Plc

Technical

2P	proven plus probable
2D/3D	two dimensional/three dimensional
boe	barrel(s) of oil equivalent
boepd	barrel(s) of oil equivalent per day
bopd	barrel(s) of oil per day
bscf	billion standard cubic feet of gas
E&P	exploration and production
EOR	enhanced oil recovery
FDP	field development plan
FEED	front end engineering and design
MC	Management Committee
mmboe	million barrels of oil equivalent
mmscfd	million standard cubic feet of gas per day
NAA	Northern Appraisal Area
PSC	production sharing contract
RoU	Rights of Use

Corporate Responsibility

CR	Corporate Responsibility
GHG	Greenhouse Gas
HSE	Health, Safety & Environment
ISO 14001	International Standard for Environmental Management Systems
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
OGP	The International Association of Oil and Gas Producers

Accounting

~	approximately
bn	billion
ESOP	Employee Share Ownership Plan
IFRS 2	International Financial Reporting Standard 2 'Share-based Payment'
IFRS 6	International Financial Reporting Standard 6 'Exploration for and Evaluation of Mineral Resources'
IGAAP	Indian Generally Accepted Accounting Practices
m	million
Rupees	Indian Rupees
$	United States Dollars

COMPANY INFORMATION

Financial Advisers
ABN AMRO Corporate Finance Limited
250 Bishopsgate
London EC2M 4AA

N M Rothschild & Sons Limited
New Court
St Swithin's Lane
London EC4P 4DU

Secretary
Duncan Wood LLB

Solicitors
Shepherd and Wedderburn LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2ET

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Stockbrokers
Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ

Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA
T 0870 601 5366
www.shareview.co.uk

Bankers
The Royal Bank of Scotland plc (RBS)
24/25 St Andrew Square
Edinburgh EH2 1AF

Citigroup
33 Canada Square
Canary Wharf
London E14 5LB

Note:
Cairn India has an $850m syndicated revolving credit facility with 11 international banks, including International Finance Corporation.

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.

FSC
Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. TT-COC-002242
© 1996 Forest Stewardship Council

Printed on PhoeniXmotion Xenon (250 & 150gsm)
PhoeniXmotion Xenon is an FSC-recognised paper, produced from well-managed forests, is elemental chlorine-free, has a neutral pH and is fully recyclable. This publication was printed with vegetable-based inks by an FSC-recognised printer.

Designed and produced by **Emperor Design Consultants Ltd**
Tel **+44 (0)131 220 7990 www.emperordesign.co.uk**

HEAD OFFICE

50 Lothian Road
Edinburgh
EH3 9BY
T +44 131 475 3000
F +44 131 475 3030
E pr@cairn-energy.plc.uk
www.cairn-energy.plc.uk

BANGLADESH

IDB Bhaban 9th Floor
E/8A Rokeya Sharani
Sher-E-Bangla Nagar
Agargaon
Dhaka 1207
T +880 2 812 7387
F +880 2 812 5744

NEPAL

House No.66
Hitaisi Marg
Ward No.4
Baluwater
Kathmandu

CAIRN INDIA

Head Office
3rd & 4th Floors
Vipul Plaza
Suncity
Sector 54
Gurgaon 122 002
T +91 124 414 1360
F +91 124 288 9320

Rajasthan
Maharaja Hari Singh Nagar
Near 'Hotel Taj Hari Mahal'
Jodhpur 342 011
Rajasthan
T +91 291 243 7851
F +91 291 243 7853

www.cairn-energy.plc.uk