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CAIRN ENERGY PLC ANNUAL REPORT & ACCOUNTS 2008

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Cairn has demonstrated a **long term commitment** to India over 15 years of investment and throughout 2008 it continued to build on the foundations for its future.

The **commencement of oil production** from Rajasthan will initiate a period of transformational growth for the company as we **target 175,000 bopd** from the Mangala, Bhagyam and Aishwariya fields.

We are also confident that our new frontier exploration position in **Greenland** has the potential to provide further **transformational growth** in the years to come.

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About Cairn

Cairn is an Edinburgh-based oil and gas exploration and production company listed on the London Stock Exchange since 1988. There are two parts of the business: Cairn India and Capricorn.

Cairn India is listed on the Bombay Stock Exchange and the National Stock Exchange of India and has interests in a total of 14 blocks in India and Sri Lanka. Cairn holds a 65% interest in Cairn India. Cairn India is a listed subsidiary of Cairn.

Capricorn is an exploration led business with a strategy of organic growth and value enhancing acquisition. Capricorn's core assets are in Greenland, South Asia and the Mediterranean. Capricorn is a non-listed 90% subsidiary of Cairn.

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Construction of the Mangala Processing Terminal, Rajasthan, is underway. Mangala production is due to commence in Q3 2009.

Highlights of 2008

Phased Mangala, Bhagyam and Aishwariya (MBA) development project on track and funded to deliver first oil from the core Mangala development during H2 2009

Construction of Mangala Processing Terminal (MPT) underway with four processing trains planned with a nameplate capacity of 205,000 bopd with scope for expansion

Leading material frontier exploration position offshore west and south Greenland

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Operational

- Group booked entitlement reserves increased from 170.2 mmboe to 254.5 mmboe
- Gross operated production for 2008: 76,298 boepd (2007: 87,031 boepd)
- Average net entitlement production for 2008: 12,801 boepd (2007: 19,809 boepd)

India

- Phased Mangala, Bhagyam and Aishwariya (MBA) development project on track and funded to deliver first oil from the core Mangala development during H2 2009
- Construction of Mangala Processing Terminal (MPT) underway with four processing trains planned with a nameplate capacity of 205,000 bopd with scope for expansion

■ Four processing trains:

- Q3 2009: Mangala production train 1 (30,000 bopd capacity), initial export by trucking
 - Q4 2009: Mangala production train 2 (50,000 bopd capacity), export by pipeline
 - H1 2010: Mangala production train 3 (50,000 bopd capacity), providing for 125,000 bopd Mangala plateau production
 - 2011: Production train 4 (75,000 bopd capacity), providing for 175,000 bopd Rajasthan plateau production.
- Aishwariya production potential upgraded from 10,000 bopd to 20,000 bopd, subject to regulatory approval
 - More than 3,000 km² of acreage secured under long term development contract
 - Raageshwari East well, 90 km south of Mangala, flowed 500 bopd on test

Greenland

- Leading material frontier exploration position offshore west and south Greenland
- Processing of 10,000 km of 2D seismic data almost complete
- Additional seismic and well site surveys planned for summer 2009

Financial

- Profit after tax of \$367m including \$356m exceptional gain on 4% placement of shares in Cairn India Limited (CIL) (2007 restated: \$1,556m including \$1,539m exceptional gain on IPO of CIL)
- Cairn placing raised \$161m in March 2009
- Cash generated from operations \$150m (2007: \$155m)
- Group net cash at 31 December 2008 \$898m (2007: \$827m)

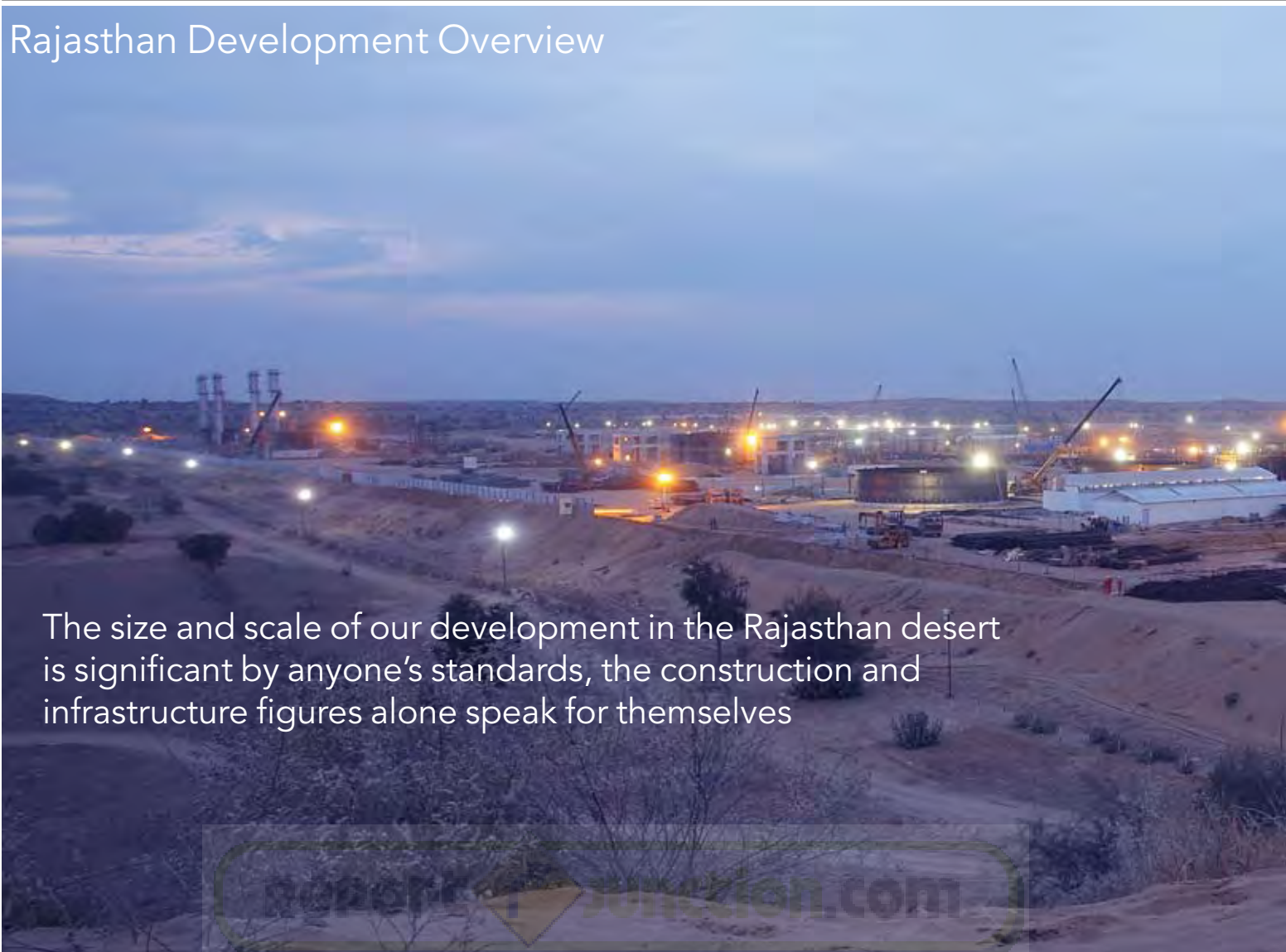


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Rajasthan Development Overview



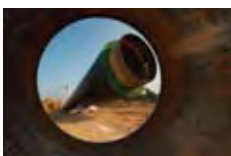
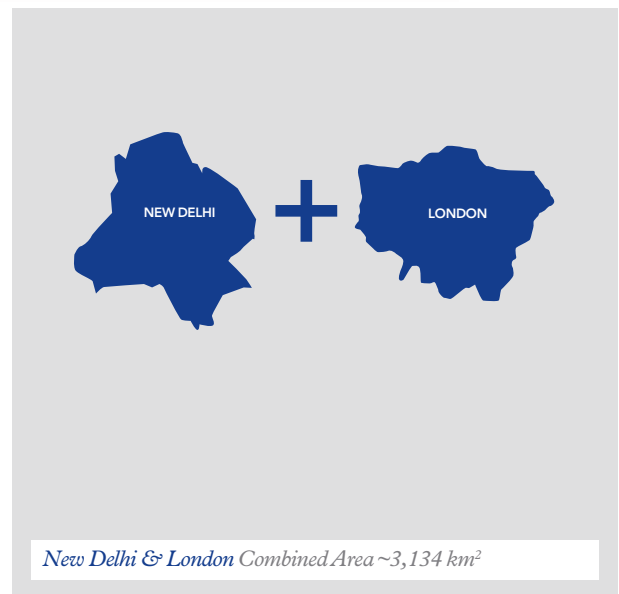
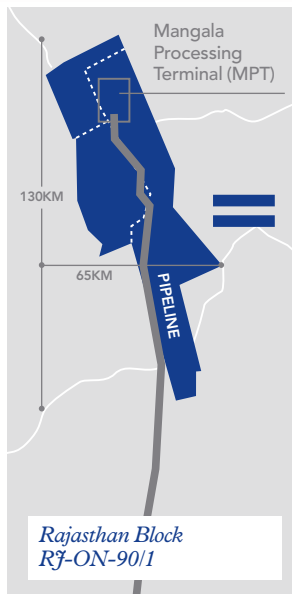
The size and scale of our development in the Rajasthan desert is significant by anyone's standards, the construction and infrastructure figures alone speak for themselves

3,111 km²

The total acreage of our Field Development Area is nearly the same area as New Delhi and London combined

Fact

Approx 500 km of intra field and inter-field pipelines and 80 km of inter field roads have been built, comparable with laying a new road from London to Brighton.



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The export pipeline runs 600 km from the Rajasthan desert to the Gujarat coast. Export of production via the pipeline is due to commence in Q4 2009.