

3  
2005

Lundin Petroleum AB (publ)

Report for the  
THREE MONTHS  
ended 31 March 2005



## Highlights

	<b>Q1 2005 3 months</b>	<b>Q1 2004 3 months</b>	<b>Year end 2004 12 months</b>
• Production in boepd	36,135	23,563	28,921
• Turnover in MSEK	953.7	392.8	2,468.3
• Net profit in MSEK	250.0	76.0	605.3
• Earnings/share in SEK	0.98	0.29	2.36
• Diluted earnings/share in SEK	0.97	0.29	2.34
• Operating cash flow in MSEK	661.0	179.2	1,502.8
• Forecasted Group net profit 2005 <sup>1</sup>			SEK 1,100 million
• Forecasted Group operating cash flow 2005 <sup>1</sup>			SEK 2,420 million

<sup>1</sup> An exchange rate for USD/SEK of 6.92 has been used to arrive at the SEK amount

**Dear fellow Shareholders,**

We have begun 2005 successfully with a strong financial performance during the first quarter which has been driven by our United Kingdom production coupled with stronger world oil prices. We have an active ongoing investment programme which will deliver further increases to our production and profitability going forward.

**Financial Performance**

During the first quarter of 2005 Lundin Petroleum generated a net profit after taxes of MSEK 250 (MUSD 36.1) and operating cash flow of MSEK 661.0 (MUSD 95.5). This represents a 230% increase in net profit and a 270% increase in operating cash flow compared to the same period last year. This growth clearly highlights the major impact of production increases during 2004 particularly production start-up from the Broom field offshore United Kingdom.

Production averaged over 36,000 boepd for the quarter with a realised crude oil price in excess of USD 46.00 per barrel. Production was about 3 percent below budget during the quarter but is now forecasted to be in excess of 40,000 boepd by year end with the forthcoming Phase-2 development drilling programme on the Broom field and production start-up from the TBA field offshore Indonesia.

If we assume an average Brent oil price of USD 45.00 per barrel for the remainder of 2005 we now forecast net profit and operating cash flow forecasts to MSEK 1,100 (MUSD 160) and MSEK 2,420 (MUSD 350) respectively for the year.

**Development**

Our near term growth will continue to be driven by production and reserves increases. We currently have ongoing development projects: Broom Phase 2 – United Kingdom, Alvhheim – Norway, Oudna – Tunisia and TBA – Indonesia which will deliver significant production growth over the next two years. These projects are all ongoing with approved development plans and are in the process of implementation. The project costs will be fully funded from internally generated cash flow.

**Exploration**

Our exploration budget has increased to MUSD 55 in 2005 due to the Nigeria OML113 acquisition. We continue to strongly believe in a proactive exploration strategy targeting prospective areas with reserve potential that will have a material impact on the value of Lundin Petroleum if successful. The drilling of the Aje-3 well in Nigeria during the third quarter provides such risk exposure with large potential reserves. In addition despite the frustrating delays in Sudan I believe that Block 5B represents world class exploration acreage with numerous undrilled large prospects that will ultimately deliver meaningful value to our shareholders. In the meantime our ongoing programme in Indonesia, The Netherlands and France provides additional continued exploration risk exposure of varying levels.

**Acquisitions**

The acquisitions of Coparex and DNO assets during the last three years have clearly generated excellent shareholder value. We continue to seek further acquisition opportunities to enable us to replicate this success. We have internally the requisite technical, commercial and financial skills to complete further deals coupled with a strong balance sheet to access financing. Despite higher oil prices and market competition there are still numerous opportunities for Lundin Petroleum and whilst it is difficult to predict timing I am hopeful that we will complete further acquisition deals going forward.

**Oil Markets**

We have benefited from the strong oil prices which we have predicted over the past two years. I remain confident over the long term and expect we will continue to see an ever increasing demand for oil from the developing world particularly China. At the same time I do not see the supply concerns, either as a result of geopolitical concerns or indeed a shortage of reserves, disappearing. However in the short term I believe prices will be volatile with market sentiment playing an important role and with potential for short term weakness in oil prices from recent levels. As such we will continue to adopt a policy of hedging forward a percentage of our forecast production to cover such risk. Our long term reserve position which essentially remains unhedged continue to give us a significant exposure to long term oil prices which we believe will remain strong.

### **Corporate Governance**

Lundin Petroleum has grown significantly over the last three years. We continue to be able to attract new staff with strong technical skills to maintain this growth whilst still retaining our strong entrepreneurial spirit. It is extremely important our staff are empowered to make the necessary decisions and if successful share in the value creation. At the same time we clearly recognise the importance in our industry of our responsibilities in respect of safety, the environment and social responsibilities and are proactively promoting and investing in these important areas. I am also pleased that we will be adopting the recommendations of the Swedish Code of Corporate Governance which is based upon the “comply” or “explain” principles of the Cadbury Committee introduced in the United Kingdom. We already comply with many of the recommendations in respect to the new Code but will strive to comply with all recommendations over the forthcoming months.

I am pleased that Lundin Petroleum continues to deliver excellent returns to our shareholders. We continue to have a very loyal and active shareholder base led by the Lundin family, a Board of Directors with diverse skills who have provided guidance and support to myself and the management team and a group of employees who I can't thank enough for their contribution to the continued success of our company.

Best regards,

C. Ashley Heppenstall  
President & CEO

## **OPERATIONS**

### **United Kingdom**

The net production to Lundin Petroleum in the first quarter of 2005 was close to 22,000 bopd representing over 50 percent of total production for the Group.

During the first quarter of 2005 Lundin Petroleum entered into an alliance with Petrofac Facilities Management Limited ("Petrofac") for the provision of production operations services on the Heather and Thistle platforms. This deal was completed satisfactorily with the transfer of duty holder responsibilities for these facilities on 1 May 2005. Lundin Petroleum will continue to focus proactively through its Aberdeen office on incremental investment opportunities on its existing assets as well as new acquisitions.

During the first quarter the Broom field (Lundin Petroleum working interest (WI) 55%) produced according to expectations with gross production in excess of 25,000 bopd. The second water injection well was successfully completed in difficult weather conditions ending Phase-1 of the Broom field development.

Phase-2 of the Broom field development will begin with the first development well on the undeveloped North Terrace satellite which will be drilled during the second quarter and immediately followed by a fourth development well on the Broom field. Production from both wells is expected to commence following completion of the two well programme during the second half of 2005 and will have a material impact on total Broom field production.

The first quarter of 2005 production from the Thistle field (WI 99%) was in line with expectations averaging in excess of 5,000 bopd. Work has been successfully completed to rectify power generation unavailability. Capital investment to debottleneck water handling capacity on the Thistle platform will have a further positive impact on production going forward in 2005 following the successful workover programme in 2004.

Production from the Heather field (WI 100%) was below expectations during the first quarter of 2005 at less than 3,000 bopd. Planned drilling activity has been delayed until early 2006 due to the limited availability of living accommodation facilities on the platform pending the finalisation of ongoing upgrades.

### **Norway**

The production from the Jotun field (WI 7%) offshore Norway was in line with expectations during the first quarter of 2005.

The development of the Alvheim field (WI 15%) offshore Norway progressed satisfactorily during the first quarter of 2005. The 180 million barrel of oil equivalent development is on budget and schedule to deliver first oil in early 2007. The major remaining project contracts were awarded during the first quarter of 2005 and drilling is forecasted to commence during mid 2005. As part of the drilling programme the East Kameleon exploration well will be drilled during 2005 testing potential reserve upside for the Alvheim field.

The Hamsun field (WI 35%) to the south of Alvheim remains the subject of ongoing development studies with the most likely option still a tie back to the nearby Alvheim facilities.

Lundin Petroleum continues to actively work on its exploration portfolio in Norway as well as looking at picking up further acreage in the forthcoming licensing rounds. It is envisaged that this work will lead to an active exploration drilling programme in 2006.

### **France**

In the Paris Basin the 3,000 bopd net production achieved is in line with expectations during the first quarter of 2005. The Nemour (WI 33%) exploration well is still planned to be drilled in the second half of 2005.

In the Aquitaine Basin (WI 50%) the 1,500 bopd net production is in line with expectations for the first quarter of 2005 with limited production from the Mimosa field now being trucked to export facilities. Full development of the Mimosa field with a pipeline tie in is still planned with first production during the 2nd quarter of 2006.

### **Indonesia**

Salawati Island and Basin (Papua)

The 2,400 bopd net production from Salawati (Salawati Island WI 14.5% and Salawati Basin WI 25.9%) was in line with expectations for the first quarter of 2005. The development of the TBA field offshore Salawati Island has progressed satisfactorily during the first quarter of 2005

with the successful drilling of two development wells, each testing in excess of 4,000 bopd. The first production from the TBA field using a floating production vessel is expected in the second half of 2005 and is expected to add in excess of 1,000 bopd net production to Lundin Petroleum. Further exploration drilling on Salawati Basin and Island has been completed with disappointing results.

#### **Banyumas (Java)**

The Jati-1 (previously named Cipari-1) exploration well (WI 25%) is forecasted to be drilled in the third quarter of 2005. In 2004 a farm-out agreement was finalized with Star Energy who will carry Lundin Petroleum's 25% interest in the well. The Jati-1 well will test a large exploration prospect in an undeveloped basin onshore southern Java.

#### **Lematang (South Sumatra)**

The development of the Singa gas field (WI 15.88%) is progressing slowly. Gas sales negotiations are currently ongoing with local buyers and it is expected the project will commence production during 2006.

#### **The Netherlands**

Gas production from the Netherlands was slightly below expectations during the first quarter due primarily to the disappointing results from the Zuidwal field (WI 7.8%) development well in late 2004. Development drilling on the K5c5 (WI 0.87%) units is being completed.

The Luttelgeest-1 exploration well on the onshore Lemmer Marknesse permit (WI 10%) which is targeting a large gas prospect will now be tested in the second half of 2005. The well which was drilled in 2004 and suspended has been awaiting the availability of special testing equipment and the necessary permitting to proceed with such testing programme.

#### **Tunisia**

The oil production from the Isis field (WI 40%), whilst being in line with expectations continues to decline as anticipated as the field approaches the end of its economic life.

The development of the Oudna field (WI 50%) is now moving forward following the finalisation of commercial

arrangements with state owned oil company ETAP and the receipt of development plan approval from the Tunisian government in 2004. The development plan still involves the redeployment of the Ikdam FPSO, currently employed on the Isis field, to the Oudna field. It is now expected that subject to the availability of a suitable drilling rig the Oudna production and water injection wells will be drilled in early 2006 with first oil later that year.

#### **Venezuela**

The 2,000 bopd net production from the Colón Block (WI 12.5%) was below expectations in the first quarter of 2005 due primarily to delays in the development drilling programme. Development drilling is currently ongoing and will continue throughout 2005 on the La Palma field.

Lundin Petroleum and its partners are reviewing the implications of proposed changes by the Venezuelan Government to the contractual and fiscal structure of its agreements in Venezuela and the results are currently uncertain.

#### **Ireland**

Lundin Petroleum agreed in 2004 to sell its 12.5% interest in the Seven Heads Gas project plus certain other Irish licence interests to Island Oil & Gas plc for a consideration of 4 million shares of Island Oil & Gas plc corresponding to a current market value in excess of MGBP 2.

During the first quarter of 2005 Lundin Petroleum acquired a new exploration licence in the Donegal Basin (WI 30%) where it is expected that Inishbeg, a large gas prospect, will be drilled in 2006.

### **OPERATIONS – EXPLORATION**

#### **Albania**

A new production sharing contract was signed in 2004 for the Durresi Block, offshore Albania (WI 50%). A 3D seismic program will be acquired in 2005 followed by exploration drilling in 2006.

#### **Nigeria**

During the first quarter of 2005 Lundin Petroleum acquired a 22.5% net revenue interest in OML 113 offshore Nigeria which contains the Aje oil and gas discovery. An appraisal well will be drilled on the Aje structure

during the third quarter of 2005 which has the potential to confirm significant volumes of additional oil and gas reserves which have been identified from recent seismic reprocessing.

## Sudan

A comprehensive peace agreement was signed in Sudan in January 2005 between the government and the Sudan People Liberation Army (SPLA). There are currently no operational activities in Block 5B (WI 24.5%) but discussions are ongoing between partners and the Sudan Government with a view to a resumption of operations in the near future which will allow the drilling and testing of numerous large exploration prospects located in Block 5B.

## RESULT AND CASH FLOW

The results for the consolidated financial statements of Lundin Petroleum AB (Lundin Petroleum or the Group) are presented for the three month period ended 31 March 2005. Lundin Petroleum completed the acquisition of Lundin Britain Ltd (formerly DNO Britain Ltd) and Lundin Ireland Ltd (formerly Island Petroleum Developments Ltd) on 13 February 2004. On 17 June 2004, Lundin Petroleum completed the acquisition of certain Norwegian assets of DNO through its subsidiary Lundin Norway AS. The results of these companies and the Norwegian assets are included within the results for the comparative periods from the date of acquisition. The sale of the 75% owned

Norwegian subsidiary, OER oil AS (OER) was completed on 23 November 2004. The results of OER are included within the results for the comparative periods until this date. The amounts relating to the comparative period are shown in parentheses after the amount for the current period.

## The Group

Lundin Petroleum reports a net profit for the three month period ended 31 March 2005 of MSEK 250.0 (MSEK 76.0) representing earnings per share attributable to shareholders of the parent company on a fully diluted basis of SEK 0.97 (SEK 0.29). Operating cashflow for the three month period ended 31 March 2005 amounted to MSEK 661.0 (MSEK 179.2). Operating cashflow per share on a fully diluted basis amounted to SEK 2.58 (SEK 0.70) for the three month period ended 31 March 2005.

The net profit for the year ended 31 December 2004 includes a gain recorded upon the sale of the investment in OER of MSEK 98.2 and a write off of oil and gas expenditure, primarily expenditure in Iran, of MSEK 150.1. The following table shows the development of the net profit after tax on a quarterly basis when adjusted for exchange movements and other items that affect the understanding of the result.

<i>Expressed in TSEK</i>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Oct 2004– 31 Dec 2004 3 months	1 Jul 2004– 30 Sep 2004 3 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2004– 31 Mar 2004 3 months
Net profit	250,042	213,602	177,072	138,577	76,007
Exchange movements	34,086	-61,347	-13,138	21,608	16,680
Write off of exploration	8,559	146,287	2,624	1,155	–
Gain on sale of assets	–	-98,192	–	–	–
<b>Adjusted net profit</b>	<b>292,687</b>	200,350	166,558	161,340	92,687

## Financial report for the three months ended 31 March 2005

Net sales of oil and gas for the three month period ended 31 March 2005 amounted to MSEK 910.7 (MSEK 385.2). Production for the period amounted to 3,252,136 (1,826,524) barrels of oil equivalent (boe) representing 36,135 (23,563) boe per day (boepd). The average price achieved for a barrel of oil equivalent for the three month period ended 31 March 2005 amounted to USD 46.29 (USD 29.91).

The average Dated Brent price for the three month period ended 31 March 2005 amounted to USD 47.50 (USD 32.03) per barrel resulting in a post-tax negative hedge settlement of MSEK 23.5 (MSEK 8.2).

Other operating income for the three month period ended 31 March 2005 amounted to MSEK 43.0 (MSEK 7.5). This amount includes tariff income from the United Kingdom (UK), France and the Netherlands and income for maintaining strategic inventory levels in France. Tariff income has increased from the comparative period of 2004 primarily due to the commencement of production from the Broom field in the UK.

Sales and production for the three month period ended 31 March 2005 were comprised as follows:

<b>Sales</b> <i>Average price per barrel given in USD</i>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
<b>United Kingdom</b>			
- Quantity in boe	1,859,860	296,000	3,674,000
- Average price per boe	47.87	33.41	41.75
<b>France</b>			
- Quantity in boe	427,071	381,534	1,563,576
- Average price per boe	47.49	30.60	36.90
<b>Norway</b>			
- Quantity in boe	90,973	241,745	870,746
- Average price per boe	44.08	32.31	37.92
<b>Netherlands</b>			
- Quantity in boe	247,583	262,935	948,548
- Average price per boe	35.29	24.86	25.43
<b>Indonesia</b>			
- Quantity in boe	145,791	158,955	579,522
- Average price per boe	42.93	29.27	34.79
<b>Tunisia</b>			
- Quantity in boe	82,547	244,046	677,923
- Average price per boe	48.92	28.74	38.65
<b>Ireland</b>			
- Quantity in boe	18,763	56,652	121,371
- Average price per boe	33.43	27.00	26.24
<b>Total</b>			
- Quantity in boe	<b>2,872,588</b>	1,641,867	8,435,686
- Average price per boe	<b>46.29</b>	29.91	37.67

Income from Venezuela is derived by way of a service fee. For the three month period ended 31 March 2005, Lundin Petroleum received a fee of USD 23.64 (USD 16.49) per barrel for the 171,751 boe (241,900 boe) that were sold.

<b>Production</b>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
<b>United Kingdom</b>			
- Quantity in boe	1,967,915	299,819	3,973,761
- Quantity in boepd	21,866	6,379	12,341
<b>France</b>			
- Quantity in boe	399,135	406,191	1,561,409
- Quantity in boepd	4,435	4,464	4,266
<b>Norway</b>			
- Quantity in boe	101,712	194,459	898,519
- Quantity in boepd	1,130	2,137	3,189
<b>Netherlands</b>			
- Quantity in boe	247,583	258,757	948,548
- Quantity in boepd	2,751	2,843	2,592
<b>Venezuela</b>			
- Quantity in boe	187,570	241,900	827,492
- Quantity in boepd	2,084	2,658	2,261
<b>Indonesia</b>			
- Quantity in boe	213,937	205,417	840,167
- Quantity in boepd	2,377	2,257	2,296
<b>Tunisia</b>			
- Quantity in boe	115,433	180,382	574,042
- Quantity in boepd	1,283	1,982	1,568
<b>Ireland</b>			
- Quantity in boe	18,851	39,599	131,517
- Quantity in boepd	209	843	408
<b>Total</b>			
- <b>Quantity in boe</b>	<b>3,252,136</b>	1,826,524	9,755,455
- <b>Quantity in boepd</b>	<b>36,135</b>	23,563	28,921
<i>Number of days</i>			
UK	90	47	322
Ireland	90	47	322
DNO's Norwegian assets	90	-	197
OER	-	90	328

## Financial report for the three months ended 31 March 2005

The number of barrels produced differs from the number of barrels sold for a number of reasons. There are timing differences between sales and production in field areas such as Tunisia and Norway where production is into a Floating Production Storage Offloading vessel (FPSO). Sales are recorded when a lifting takes place and these can be at varying intervals and will not be equal at the end of a financial quarter. Over time, the total sales will equal the production. There are permanent differences between production and sales in some of the field areas. The production reported for the UK is the platform production. This is the amount of crude oil that is produced from the field into the pipeline system that takes the crude to the onshore terminal. Once the field's crude enters the pipeline system it is commingled with the crude oil produced from other fields in the pipeline system that produce the blend of crude that is sold. The crude that

is pumped into the pipeline system is tested against the blend of crude that arrives at the terminal and an adjustment is made to the barrels allocated to each field to reflect the relative quality of the crude oil input into the system. There is an approximate quality adjustment of minus five percent applied to the UK crude oil produced. In Indonesia, production is allocated under a Production Sharing Contract (PSC) where, as part of the commercial terms of the agreement, production is allocated to the host country as a type of royalty payment. The value of this transaction is not recorded within the financial statements in accordance with accepted accounting practise.

Production costs for the three month period ended 31 March 2005 expressed in US dollars were comprised as follows:

<b>Production cost and depletion</b> <i>in TUSD</i>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
Cost of operations	36,415	21,559	124,006
Tariff and transportation expenses	5,707	3,104	16,173
Royalty and direct taxes	1,065	563	3,821
Changes in inventory/overlift	-4,324	2,384	2,398
<b>Total production costs</b>	<b>38,863</b>	27,610	146,398
Depletion	28,070	7,128	51,946
<b>Total</b>	<b>66,933</b>	34,738	198,344

<b>Production cost and depletion</b> <i>in USD per boe</i>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
Cost of operations	11.20	11.80	12.71
Tariff and transportation expenses	1.75	1.70	1.66
Royalty and direct taxes	0.33	0.31	0.39
Changes in inventory/overlift	-1.33	1.31	0.25
<b>Total production costs</b>	<b>11.95</b>	15.12	15.01
Depletion	8.63	3.90	5.32
<b>Total</b>	<b>20.58</b>	19.02	20.33

Production costs for the three month period ended 31 March 2005 amounted to MSEK 269.0 (MSEK 202.7). The reported cost of operations per barrel of USD 11.20 for the first quarter of 2005 is higher than Lundin Petroleum's forecast per barrel cost of operations for 2005. The reason for this increase is due to the phasing of the production. Production is expected to increase in the second half of the year without a corresponding cost increase thereby reducing the average cost of operations per barrel over the course of the year.

Depletion of oil and gas properties for the three month period ended 31 March 2005 amounted to MSEK 194.3 (MSEK 52.3). The depletion charge has increased from the comparative period following the inclusion of the UK and Norwegian assets acquired from DNO in 2004. The depletion cost per barrel has increased from 2004 following a revision of cost and reserve estimates used in the calculation and because the UK was only included within the depletion charge for five months in 2004, distorting the average depletion rate for the year. Write off of oil and gas properties amounted to MSEK 8.6 (MSEK nil) for the three month period ended 31 March 2005. The decision was made during 2004 to write off the costs incurred in Iran as well as other exploration project costs resulting in a charge to the income statement for the year ended 31 December 2004 of MSEK 150.1.

On 23 November 2004, Lundin Petroleum completed the sale of its investment in the Norwegian company OER for MSEK 189.9 recording an accounting profit of MSEK 98.2 in the income statement for the year ended 31 December 2004.

Other income for the three month period ended 31 March 2005 amounted to MSEK 2.7 (MSEK 0.8) and represents fees and costs recovered by Lundin Petroleum from third parties.

General and administrative expenses for the three month period ended 31 March 2005 amounted to MSEK 20.5 (MSEK 23.8). Included within the 2005 costs is an accounting charge of MSEK 4.3 for employee incentive warrants issued in 2004 following the adoption of IFRS. The general and administration costs for the first quarter of 2004 included an amount of MSEK 3.7 for OER. OER was sold in the fourth quarter of 2004.

Net financial income and expenses for the three month period ended 31 March 2005 amounted to MSEK -44.2 (MSEK -23.7). Interest income for the three month period ended 31 March 2005 amounted to MSEK 3.4 (MSEK 2.1). Interest income mainly comprises of interest received on a loan to an unconsolidated associated company for an amount of MSEK 1.2 (MSEK 0.7) and part of the fee received from Venezuela which is treated as interest income for an amount of MSEK 0.9 (MSEK 0.8). Interest expense for the three month period ended 31 March 2005 amounted to MSEK 14.3 (MSEK 1.9) and mainly relates to the bank loan facility. The impact of the change in market value of the interest rate hedge for the three month period ended 31 March 2005 amounted to a gain of MSEK 5.7 (MSEK -5.5). The amortisation of financing fees amounted to MSEK 3.6 (MSEK 0.5) for the three month period ended 31 March 2005. The financing fees are in relation to the bank loan facility and are amortised over the life of the bank loan facility. Exchange gains and losses for the three month period ended 31 March 2005 amounted to MSEK -34.1 (MSEK -16.8). The exchange losses for the three month period ended 31 March 2005 are mainly the result of the revaluation of the USD loan outstanding into the EUR and NOK reporting currency of the entities in which the funds were drawn. During the three month period ended 31 March 2005 the devaluation of the NOK and the Euro against the USD amounted to approximately 5%.

The tax charge for the three month period ended 31 March 2005 amounted to MSEK 169.8 (MSEK 15.0). The current corporation tax charge of MSEK 18.8 (MSEK 10.4) comprises current corporation tax charges in, mainly, the Netherlands, the UK, Indonesia and Venezuela. The deferred corporation tax charge for the three month period ended 31 March 2005 of MSEK 153.3 (MSEK 5.6) comprises principally of a charge of MSEK 124.1 in the UK for the utilisation of tax losses acquired with the UK companies and capital allowances generated from the capitalised expenditure on the UK fields. The petroleum tax charge for the three month period ended 31 March 2005 amounts to MSEK 4.9 (MSEK 0.5). The deferred petroleum tax benefit for the three month period ended 31 March 2005 amounts to MSEK 7.1 (MSEK 1.4).

The net result attributable to minority interest for the three month period ended 31 March 2005 amounted

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to MSEK 0.7 (MSEK 2.7) and relates to the 0.17% of Lundin International SA that is owned by minority shareholders. The comparative period included the 25% of OER that was not owned by the Group. The investment in OER was sold in November 2004.

### Tangible fixed assets

Tangible fixed assets as at 31 March 2005 amounted to MSEK 4,606.8 (MSEK 4,334.0) of which MSEK 4,561.8 (MSEK 4,296.0) relates to oil and gas properties and are detailed in Note 7 to the Financial Statements. Development and exploration expenditure incurred for the three month period ended 31 March 2005 can be summarised as follows:

<b>Development expenditure</b> <i>in MSEK</i>	<b>1 Jan 2005– 31 Mar 2005</b> <b>3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
United Kingdom	115.4	59.1	702.3
France	5.5	-0.5	85.1
Netherlands	8.9	2.0	44.3
Venezuela	8.9	2.5	12.7
Tunisia	2.8	0.1	3.9
Indonesia	15.1	3.7	22.9
Ireland	-0.5	–	2.6
Norway	115.9	10.1	81.2
<b>Development expenditure</b>	<b>272.0</b>	<b>77.0</b>	<b>955.0</b>

<b>Exploration expenditure</b> <i>in MSEK</i>	<b>1 Jan 2005– 31 Mar 2005</b> <b>3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
France	0.5	1.2	41.1
Indonesia	9.9	10.6	63.6
Iran	4.5	15.1	51.9
Netherlands	0.6	0.7	24.7
Tunisia	0.1	0.7	–
Albania	2.1	0.4	4.1
Norway	11.9	11.9	30.6
Sudan	-0.1	1.4	5.6
United Kingdom	–	0.7	2.0
Other	6.7	3.6	9.2
<b>Exploration expenditure</b>	<b>36.2</b>	<b>46.3</b>	<b>232.8</b>

Other tangible fixed assets as at 31 March 2005 amounted to MSEK 44.9 (MSEK 38.0).

### **Financial fixed assets**

Financial fixed assets as at 31 March 2005 amounted to MSEK 515.4 (MSEK 481.0) and are analysed in Note 8 to the Financial Statements. Restricted cash includes cash amounts deposited to support letters of credit issued in support of exploration work commitments. Restricted cash has increased from 31 December 2004 following the deposit of MUSD 4.1 in support of the work commitment in Nigeria. Shares and participations relate primarily to an investment in a company owning gas infrastructure in the Netherlands. Deferred financing fees relate to the costs incurred establishing the bank credit facility and are being amortised over the period of the loan. The deferred tax asset comprises tax losses carried forward in the United Kingdom, Tunisia, France and Norway. Deferred taxes on tax losses are only recorded when there is a reasonable certainty of utilising them against future taxable income. Hedging instruments valued at fair value amounted to MSEK 9.9 (MSEK -) and primarily relate to the interest rate hedging contracts. Other financial fixed assets amount to MSEK 6.6 (MSEK 6.0) and are funds held by joint venture partners in anticipation of future expenditures.

### **Current receivables and inventories**

Current receivables and inventories amounted to MSEK 1,030.5 (MSEK 768.9) as at 31 March 2005 and are analysed in Note 9 to the Financial Statements. Inventories include hydrocarbons and consumable well supplies. Trade receivables have increased from 31 December 2004 primarily due to the phasing of the UK sales and the higher average prices achieved for the period. Taxes receivable amounted to MSEK 110.1 (MSEK 117.6) and joint venture debtors amounted to MSEK 142.1 (MSEK 74.1).

### **Cash and bank**

Cash and bank as at 31 March 2005 amounted to MSEK 310.8 (MSEK 268.4).

### **Provisions and other long term liabilities**

Provisions as at 31 March 2005 amounted to MSEK 1,518.9 (MSEK 1,497.7) and are detailed in Note 10 to the Financial Statements. This amount includes a provision for site restoration of MSEK 315.0 (MSEK 296.0) and a provision for deferred tax of MSEK 1,182.1 (MSEK 1,166.1).

### **Long term interest bearing debt**

Long term interest bearing debt amounted to MSEK 1,412.6 (MSEK 1,343.0) as at 31 March 2005. On 16 August 2004, Lundin Petroleum entered into a seven-year credit facility agreement to borrow up to MUSD 385.0 comprising MUSD 35.0 for Letters of Credit in support of future site restoration costs payable to former owners of the Heather field, offshore UK, and cash drawings of MUSD 350.0. The amount outstanding under the facility at 31 March 2005 amounted to MUSD 200.3.

### **Current liabilities**

Current liabilities as at 31 March 2005 amount to MSEK 1,135.4 (MSEK 641.4) and are detailed in Note 11 to the Financial Statements. Overlift has decreased from MSEK 45.6 at 31 December 2004 to MSEK 13.2 at 31 March 2005 following a lifting of crude from the Isis field by a field partner in March 2005. Following the adoption of IAS 39, a liability has been recorded to recognise the market value of financial instruments outstanding at the reporting date. As at 31 March 2005, an amount of MSEK 439.2 has been accounted for and is primarily relating to the oil price hedging contracts. Accrued expenses have increased from MSEK 287.7 at 31 December 2004 to MSEK 352.5 at 31 March 2005 due to higher accruals for oil price hedge settlements.

### **Parent Company**

The net result for the parent company amounted to MSEK 2.5 (MSEK 0.7) for the three month period ended 31 March 2005.

The result included administrative expenses of MSEK 8.7 (MSEK 14.7) offset by net financial income and expenses of MSEK 8.6 (MSEK 14.4). Interest income derived from loans to subsidiary companies amounted to MSEK 8.7 (MSEK 7.7). Currency exchange losses amounted to MSEK 0.2 (MSEK -6.4).

No deferred tax asset has been recorded against the historic losses incurred by the Parent Company because of uncertainty as to the timing of their utilisation.

## LIQUIDITY

On 16 August 2004, the Group entered into a USD 385 million loan facility to fund the DNO acquisition and to provide further funds for corporate purposes. The MUSD 385 loan facility has been used to provide Letters of Credit in the amount of MUSD 35 as security for the payment of future site restoration costs to former owners of the Heather field, offshore UK, and to provide funds for corporate purposes.

## FINANCIAL INSTRUMENTS

The Group has entered into the following interest rate hedging contracts to tie the LIBOR based floating rate part of the Company's USD borrowings to a fixed LIBOR rate of interest.

In January 2005 the Group entered into a number of currency hedging contracts for 2005 fixing the rate of exchange from USD into GBP, Euros, NOK and CHF. The contracts run from 20 February 2005 until 20 November 2005. The total amount hedged amounts to MUSD 98.3, of which MUSD 66.2 relates to GBP and MUSD 17.6 relates to Euro.

Contract date	USD Libor interest rate	Amount hedged	Start date	End date
22/10/2002	3.49%	85,000,000	4/1/2005	5/7/2005
22/10/2002	3.49%	75,000,000	5/7/2005	3/1/2006
22/10/2002	3.49%	65,000,000	3/1/2006	3/7/2006
22/10/2002	3.49%	55,000,000	3/7/2006	2/1/2007
11/3/2004	2.32%	40,000,000	1/4/2004	2/4/2007

The Group has entered into the following oil price hedges.

Contract date	USD Libor Dated Brent	Barrels per day	Start date	End date
11/3/2004	28.40	3,000	1/1/2005	31/12/2005
19/4/2004	29.60	3,000	1/2/2005	31/12/2005
24/1/2005	45.00	5,000	1/2/2005	31/12/2005
8/3/2005	51.00	5,000	8/3/2005	31/12/2005
22/3/2005	53.19	5,000	1/1/2006	31/12/2006

## CHANGES IN THE BOARD

At the AGM on 19 May 2004, all serving Directors were re-elected.

## SHARE DATA

Lundin Petroleum AB's registered share capital at 31 March 2005 amounts to SEK 2,548,923 represented by 254,892,266 shares of nominal value SEK 0.01 each.

The following share warrants have been issued under the Group incentive program for employees. The warrants issued for 2002 and 2003 were issued at the average closing price of Lundin Petroleum shares for the ten days after the AGM. The warrants issued for 2004 were issued at a 10% premium to the average closing price of Lundin Petroleum shares for the ten days after the AGM.

	Issued 2002	Issued 2003	Issued 2004
Exercise price (SEK)	4.50	10.10	45.80
Number authorised	3,250,000	3,400,000	2,250,000
Number outstanding	17,900	1,933,000	2,185,000
Exercise period	31 May 2003 -31 May 2005	31 May 2004 -31 May 2006	31 May 2005 -31 May 2007

As at 31 March 2005, there was no convertible debt outstanding.

## Exchange rates

For the preparation of financial statements for the three month period ended 31 March 2005, the following currency exchange rates have been used.

	Period average	Period end
1 EUR equals SEK	9.0742	9.1430
1 USD equals SEK	6.9211	7.0526

## Accounting principles

As of 1 January 2005, Lundin Petroleum AB (publ) has adopted the International Financial Reporting Standards (IFRS). As from 2005, Lundin will issue its financial reports in accordance with these standards including one (restated) comparative year. The three month period report of Lundin Petroleum AB (publ) has been prepared in accordance with IAS 34 and interpretations of the IFRS as issued by the International Financial Reporting Standards Committee (IFRIC) and the Standards Interpretation Committee (SIC).

The accounting principles for the parent company are unchanged from the previous year with the exception of accounting for share based payments, where the accounting principles in IFRS 2 as described below have been applied.

IFRS 1 provides first time adopters of IFRS with exemptions from full retrospective application. Lundin Petroleum has granted the following:

- IFRS 2 – Share based payments: This standard will not be applied to the Group's incentive warrants programme granted before 7 November 2002. The 2004 programme granted after 7 November 2002 and not yet vested before 1 January 2005 will be recognised in line with this standard.
- IFRS 3 – Business combinations: this standard will be not be applied to business combinations prior to 1 January 2004.
- IFRS 5 – Non current assets held for sale and discontinued operations: This standard is adopted prospectively as from 1 January 2005.
- IAS 21 – The Effects of Changes in Foreign Exchange Rates: at the date of transition to IFRS the cumulative translation differences are deemed to be zero. The gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition and shall include later translation differences.
- IAS 39 – Financial instruments: This standard is as adopted by the EU, applied as from 1 January 2005 and therefore the comparatives will not be restated.

The differences and effects resulting from the adoption of IFRS can be summarised as follows:

## IFRS 2

This statement deals with share based remuneration and requires a charge to be recorded in the income statement to record the issue of employee stock options. The fair value of the 2004 incentive warrants programme has been determined using the Black & Scholes method. The total cost of MSEK 17.3 is recognised during the vesting period of one year. The cost of the incentive warrants issued in 2004 recognised in the restated 2004 income statement amounts to MSEK 10.7 and is estimated to amount to MSEK 6.6 in 2005.

### **IFRS 3**

This statement deals with business combinations and the treatment of any excess purchase price and the split between tangible assets and intangible assets. There is no change required to the treatment of assets currently adopted by Lundin Petroleum.

### **IAS 1**

In accordance with this standard, minority interests are included in shareholders' equity as a separate component and are included in the net result for the year in the income statement.

### **IAS 21**

This statement deals with the effects of foreign exchange rates. The effects of recording a change in functional currency of certain subsidiaries within the Lundin Group in line with the requirements of this standard, related to the oil and gas assets recognised in these companies. The negative effect on shareholders' equity net of deferred tax at 1 January 2004 amounted to MSEK 11.5 and MSEK 4.6 at 31 December 2004. The positive effect net of deferred tax on the net result for the year ended 31 December 2004 amounts to MSEK 8.2.

### **IAS 36**

Under GAAP used for the preparation of the 2004 financial statements, Lundin Petroleum has based their impairment testing on a country by country cost pool basis under the full cost method of accounting. IAS 36 requires that impairment testing be carried out on a field by field cost pool basis. The change in method of impairment means that exploration costs can no longer be carried as capitalised costs within a country cost pool unless those costs can be supported by future cash flows on their own merits. If there is no decision to continue with a field specific exploration programme then the costs must be expensed. Lundin Petroleum has incurred exploration costs in France and Indonesia which under the adoption of IFRS have been expensed in the financial statements for the comparative periods. The effect on shareholders' equity amounted to MSEK -16.1 net of deferred tax at 1 January 2004 and the impact on the result for the year ended 31 December 2004 amounted to MSEK -19.4 net of deferred tax.

### **IAS 39**

This statement deals with the recognition and measurement of financial instruments. The standard requires that derivative financial instruments be accounted for at fair value. Under the optional exemption rules stated in IFRS 1 Lundin Petroleum has adopted IAS 39 from 1 January 2005 and no restatement of prior periods results has been required. At 1 January 2005, Lundin Petroleum had in place cash flow hedges by means of interest rate hedging contracts and oil price hedging contracts. Under Swedish GAAP, the oil price hedging contracts have been treated as off-balance sheet instruments, whereas IFRS requires valuing these contracts at fair value. The impact on the opening balance of shareholders' equity at 1 January 2005 is MSEK 98.2 net of deferred tax.

## Consolidated income statement in summary

<i>Expressed in TSEK</i>	<i>Note</i>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
<b>Operating income</b>				
Net sales of oil and gas	1	910,727	385,235	2,344,005
Other operating income		42,967	7,523	124,281
		<b>953,694</b>	392,758	2,468,286
<b>Cost of sales</b>				
Production costs	2	-268,983	-202,711	-1,074,491
Depletion of oil and gas properties	3	-194,280	-52,335	-381,252
Write off of oil and gas properties		-8,559	–	-150,065
		<b>481,872</b>	137,712	862,478
<b>Gross profit</b>				
Sale of assets		–	–	98,192
Other income		2,722	791	17,710
General, administration and depreciation expenses		-20,490	-23,814	-129,978
		<b>464,104</b>	114,689	848,402
<b>Operating profit</b>				
Financial income and expenses, net	4	6,879	4,232	58,492
Financial expenses	5	-51,097	-27,929	-60,033
		<b>419,886</b>	90,992	846,861
<b>Profit before tax</b>				
Tax	6	-169,844	-14,985	-241,603
		<b>250,042</b>	76,007	605,258
<b>Net result</b>				
<b>Net result attributable to :</b>				
shareholders of the parent company		249,339	73,350	598,245
minority interest		703	2,657	7,013
		<b>250,042</b>	76,007	605,258
<b>Net result</b>				
Earnings per share – SEK 1)		0.98	0.29	2.36
Diluted earnings per share – SEK 1)		0.97	0.29	2.34

1) Based on net result attributable to shareholders of the parent company.

### Reconciliation of net result from Swedish GAAP to IFRS

<i>in TSEK</i>	1 Jan – 31 Mar 2004 3 months	1 Jan -31 Dec 2004 12 months
Net result under Swedish GAAP	73,350	620,154
Reclassification of minority interest	2,657	7,012
Share based payments	–	-10,712
Effects of changes in functional currency	–	8,231
Impairment of assets	–	-22,359
Taxes	–	2,932
Net result under IFRS	76,007	605,258

## Consolidated balance sheet in summary

<i>Expressed in TSEK</i>	<i>Note</i>	<b>31 March 2005</b>	31 Dec 2004	1 Jan 2005
<b>ASSETS</b>				
<b>Tangible fixed assets</b>				
Oil and gas properties	7	4,561,842	4,296,024	4,296,024
Other tangible fixed assets		44,918	38,001	38,001
<b>Total tangible fixed assets</b>		<b>4,606,760</b>	4,334,025	4,334,025
<b>Financial fixed assets</b>				
	8	515,447	481,041	545,547
<b>Total fixed assets</b>		<b>5,122,207</b>	4,815,066	4,879,572
<b>Current Assets</b>				
Current receivables and inventories	9	1,030,510	768,870	770,784
Cash and bank		310,755	268,377	268,377
<b>Total current assets</b>		<b>1,341,265</b>	1,037,247	1,039,161
<b>Total assets</b>		<b>6,463,472</b>	5,852,313	5,918,733
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity including net result for the period</b>		2,396,564	2,370,213	2,272,019
<b>Long term liabilities</b>				
Provisions	10	1,518,894	1,497,692	1,499,975
Long term interest bearing debt		1,412,600	1,343,021	1,343,021
<b>Total long term liabilities</b>		<b>2,931,494</b>	2,840,713	2,842,996
<b>Current liabilities</b>				
	11	1,135,414	641,387	803,718
<b>Total shareholders' equity and liabilities</b>		<b>6,463,472</b>	5,852,313	5,918,733
Pledged assets		1,134,054	1,124,388	1,124,388
Contingent liabilities		–	–	–

## Statement of change in group equity

<i>Expressed in TSEK</i>	Share Capital	Other reserves	Retained earnings	Minority interest	Net result
Balance at 1 January 2004	2,515	984,112	-103,265	20,036	930,229
Transfer of prior year net result	-	-	930,229	-	-930,229
Issuance of shares	3	1,073	-	-	-
Currency translation difference	-	16,150	27,670	416	-
Net result	-	-	-	2,657	73,350
<b>Balance at 31 March 2004</b>	<b>2,518</b>	<b>1,001,335</b>	<b>854,634</b>	<b>23,109</b>	<b>73,350</b>
Issuance of shares	19	14,940	-	-	-
Employee stock option expense	-	-	10,712	-	-
Currency translation difference	-	-47,097	-68,024	-552	-
Disinvestments	-	-	-	-23,982	-
Net result	-	-	-	4,356	524,895
<b>Balance at 31 December 2004</b>	<b>2,537</b>	<b>969,178</b>	<b>797,322</b>	<b>2,931</b>	<b>598,245</b>
Transfer of prior year net result	-	-	598,245	-	-598,245
Adjustment for IAS 39	-	-	-98,194	-	-
Issuance of shares	12	7,207	-	-	-
Change in hedge reserve	-	-186,958	-	-	-
Employee stock option expense	-	-	4,266	-	-
Currency translation difference	-	37,846	12,097	33	-
Net result	-	-	-	703	249,339
<b>Balance at 31 March 2005</b>	<b>2,549</b>	<b>827,273</b>	<b>1,313,736</b>	<b>3,667</b>	<b>249,339</b>

### Reconciliation of shareholders' equity from Swedish GAAP to IFRS

<i>in TSEK</i>	1 Jan 2004	31 Mar 2004	31 Dec 2004
Shareholders' equity under Swedish GAAP	1,841,195	1,957,592	2,407,375
Reclassification of minority interest	20,036	23,109	2,931
Change in functional currency	-11,547	-9,698	-4,610
Impairment of assets	-16,057	-16,057	-35,483
Shareholders' equity under IFRS	1,833,627	1,954,946	2,370,213

## Group cash flow statement in summary

<i>Expressed in TSEK</i>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
<b>Cash flow from operations</b>			
Net result	250,042	76,007	605,258
Adjustment for depletion and other non cash related items	355,307	70,518	816,453
Changes in working capital	-231,275	-20,181	-251,549
<b>Total cash flow from operations</b>	<b>374,074</b>	126,344	1,170,162
Investments in shares in subsidiaries	–	-1,229,628	-1,220,191
Sale of assets	–	–	226,731
Change in other financial fixed assets	-29,217	1,032	2,092
Other payments	-302	–	-1,219
Investment in oil and gas properties	-303,799	-96,814	-1,628,813
Investment in other fixed assets	-6,359	-841	-30,423
<b>Total cash flow used for investments</b>	<b>-339,677</b>	-1,326,251	-2,651,823
Changes in long-term liabilities	-17,295	1,047,160	1,464,797
Paid financing fees	–	-18,443	-28,260
Proceeds from share issues	7,219	1,076	16,036
<b>Total cash flow used for/from financing</b>	<b>-10,076</b>	1,029,793	1,452,573
Change in cash and bank	24,321	-170,114	-29,088
Cash and bank at the beginning of the period	268,377	301,589	301,589
Currency exchange difference in cash and bank	18,057	974	-4,124
<b>Cash and bank at the end of the period</b>	<b>310,755</b>	132,449	268,377

<b>Note 1. Net sales of oil and gas, TSEK</b>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
Sale of crude oil			
- United Kingdom	605,130	75,347	1,128,193
- France	140,374	86,519	426,457
- Norway	27,402	56,853	243,808
- Indonesia	43,294	35,122	149,645
- Tunisia	28,111	50,917	194,746
	<b>844,311</b>	304,758	2,142,849
Sale of condensate			
- Netherlands	1,065	3,139	10,143
- Norway	–	964	3,368
- United Kingdom	11,069	823	20,007
	<b>12,134</b>	4,926	33,518
Sale of gas			
- Netherlands	59,410	48,000	175,729
- Ireland	4,342	7,830	23,372
- Indonesia	385	1,840	4,129
- Norway	353	1,882	2,851
	<b>64,490</b>	59,552	206,081
Service fee			
- Venezuela	28,105	28,487	114,797
Oil price hedging settlement	-38,313	-12,488	-153,240
	<b>910,727</b>	385,235	2,344,005

<b>Note 2. Production costs, TSEK</b>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
Costs of operations	255,080	158,285	908,909
Tariff and transportation expenses	39,500	22,789	118,702
Royalty and direct taxes	7,371	4,130	28,045
Changes in inventory/overlift position	-32,968	17,507	18,835
	<b>268,983</b>	202,711	1,074,491

<b>Note 3. Depletion of oil and gas properties, TSEK</b>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
United Kingdom	130,894	–	175,680
France	16,494	15,149	55,665
Norway	6,993	6,325	38,328
Netherlands	19,878	16,093	61,669
Venezuela	10,126	8,413	28,688
Indonesia	4,207	2,448	8,903
Tunisia	5,688	3,907	12,319
	<b>194,280</b>	52,335	381,252

## Notes

<b>Note 4. Financial income, TSEK</b>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
Interest income	3,431	2,078	11,468
Dividend	3,448	2,154	10,899
Foreign exchange gains, net	–	–	36,125
	<b>6,879</b>	<b>4,232</b>	<b>58,492</b>

<b>Note 5. Financial expenses, TSEK</b>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
Loan interest expenses	14,299	1,937	53,092
Potential cost under interest swap	-5,655	5,519	-17,171
Unwind site restoration discount	3,810	3,304	14,503
Amortisation of deferred financing fees	3,625	489	7,224
Foreign exchange losses, net	34,086	16,680	–
Other financial expenses	932	–	2,385
	<b>51,097</b>	<b>27,929</b>	<b>60,033</b>

<b>Note 6. Tax, TSEK</b>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
Current corporate tax	18,836	10,361	-46,086
Deferred corporate tax	153,259	5,590	295,556
Current petroleum tax	4,866	458	-62,939
Deferred petroleum tax	-7,117	-1,424	55,072
	<b>169,844</b>	<b>14,985</b>	<b>241,603</b>

<b>Note 7. Oil and gas properties, TSEK</b>	<b>Book amount 31 Mar 2005</b>	Book amount 31 Dec 2004
United Kingdom	2,131,324	2,034,820
France	834,548	838,521
Norway	680,795	548,711
Netherlands	482,796	486,622
Venezuela	201,760	190,617
Indonesia	123,316	92,809
Tunisia	38,910	41,073
Ireland	33,856	31,419
Sudan	20,803	20,909
Albania	6,286	4,085
Others	7,448	6,438
	<b>4,561,842</b>	<b>4,296,024</b>

<b>Note 8. Financial fixed assets, TSEK</b>	<b>Book amount 31 Mar 2005</b>	Book amount 31 Dec 2004
Shares in associated companies	21,440	21,153
Restricted cash	67,174	35,722
Deferred financing fees	20,987	21,797
Deferred tax asset	389,289	396,347
Hedging assets	9,908	–
Other financial fixed assets	6,649	6,022
	<b>515,447</b>	<b>481,041</b>

<b>Note 9. Current receivables and inventories, TSEK</b>	<b>Book amount 31 Mar 2005</b>	Book amount 31 Dec 2004
Inventories	81,996	88,568
Trade receivables	500,111	366,105
Underlift	63,581	35,073
Corporation tax	110,141	117,587
Joint venture debtors	142,092	74,055
Other current assets	132,589	87,482
	<b>1,030,510</b>	<b>768,870</b>

<b>Note 10. Provisions, TSEK</b>	<b>Book amount 31 Mar 2005</b>	Book amount 31 Dec 2004
Site restoration	315,011	296,024
Pension	14,216	14,518
Deferred taxes	1,182,104	1,166,132
Other	7,563	21,018
	<b>1,518,894</b>	<b>1,497,692</b>

<b>Note 11. Current liabilities, TSEK</b>	<b>Book amount 31 Mar 2005</b>	Book amount 31 Dec 2004
Trade payables	55,637	72,701
Overlift	13,201	45,562
Tax payables	49,772	35,350
Accrued expenses	352,537	287,719
Acquisition liabilities	37,605	37,102
Hedging liabilities	439,180	–
Other current liabilities	187,482	162,953
	<b>1,135,414</b>	<b>641,387</b>

## Parent company income statement in summary

<i>Expressed in TSEK</i>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
Service income	2,569	943	11,547
<b>Gross profit</b>	<b>2,569</b>	943	11,547
Other income	–	91	213
General and administrative expenses	-8,666	-14,704	-71,228
<b>Operating loss</b>	<b>-6,097</b>	-13,670	-59,468
Financial income and expenses, net	8,553	14,408	30,795
<b>Net result before tax</b>	<b>2,456</b>	738	-28,673
Tax	–	–	–
<b>Net result</b>	<b>2,456</b>	738	-28,673

## Parent company balance sheet in summary

<i>Expressed in TSEK</i>	<b>31 Mar 2005</b>	31 Dec 2004
<b>ASSETS</b>		
<b>Financial fixed assets</b>	811,131	800,036
<b>Total fixed assets</b>	<b>811,131</b>	800,036
<b>Current Assets</b>		
Current receivables	6,440	3,454
Cash and bank	8,402	10,289
<b>Total current assets</b>	<b>14,842</b>	13,743
<b>Total assets</b>	<b>825,973</b>	813,779
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity including net result for the period</b>	822,680	808,739
<b>Current liabilities</b>	3,293	5,040
<b>Total shareholders' equity and liabilities</b>	<b>825,973</b>	813,779
Pledged assets	1,134,054	1,124,388
Contingent liabilities	–	–

## Parent company cash flow statement in summary

<i>Expressed in TSEK</i>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
<b>Cash flow from operations</b>			
Net result	2,456	738	-28,673
Adjustment for non cash related items	5,184	-2,024	9,356
Changes in working capital	-4,734	-4,954	-997
<b>Total cash flow used in operations</b>	<b>2,906</b>	-6,240	-20,314
Changes in loans to subsidiary companies	-11,095	-108,107	-99,492
Investment in fixed assets	–	–	62
<b>Total cash flow used for/from investments</b>	<b>-11,095</b>	-108,107	-99,430
Proceeds from share issue	7,219	1,076	16,035
<b>Total cash flow from financing</b>	<b>7,219</b>	1,076	16,035
Change in cash and bank	-970	-113,271	-103,709
Cash and bank at the beginning of the period	10,289	112,609	112,609
Currency exchange difference cash and bank	-917	2,037	1,389
<b>Cash and bank at the end of the period</b>	<b>8,402</b>	1,375	10,289

## Statement of changes in parent company equity

<i>Expressed in TSEK</i>	Share Capital	Restricted reserves	Net result
Balance at 1 January 2004	2,515	958,297	-150,147
Transfer of prior year net result	–	-150,147	150,147
Issuance of shares	3	1,073	–
Net result	–	–	738
<b>Balance at 31 March 2004</b>	<b>2,518</b>	<b>809,223</b>	<b>738</b>
New share issue	19	14,940	–
Employee stock option expense	–	10,712	–
Net result	–	–	-29,411
<b>Balance at 31 December 2004</b>	<b>2,537</b>	<b>834,875</b>	<b>-28,673</b>
Transfer of prior year net result	–	-28,673	28,673
Issuance of shares	12	7,207	–
Employee stock option expense	–	4,266	–
Net result	–	–	2,456
<b>Balance at 31 March 2005</b>	<b>2,549</b>	<b>817,675</b>	<b>2,456</b>

## Key data

<b>GROUP</b>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
Return on equity, % <sup>1</sup>	10	4	29
Return on capital employed, % <sup>2</sup>	16	7	31
Debt/equity ratio, % <sup>3</sup>	46	53	45
Equity ratio, % <sup>4</sup>	37	38	41
Share of risk capital, % <sup>5</sup>	55	59	60
Interest coverage ratio, % <sup>6</sup>	3,037	4,798	2,276
Operating cash flow/interest expenses, % <sup>7</sup>	4,623	9,253	3,862
Yield, % <sup>8</sup>	–	–	–

1 Return on equity is defined as the Group's net result divided by average shareholders' equity.

2 Return on capital employed is defined as the Group's income before tax plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average balance sheet total less non interest-bearing liabilities).

3 Debt/equity ratio is defined as the Group's interest-bearing liabilities less cash and bank in relation to shareholders' equity.

4 Equity ratio is defined as the Group's shareholders' equity, including minority interest, in relation to balance sheet total.

5 Share of risk capital is defined as the sum of the shareholders' equity and deferred taxes, including minority interest, divided by balance sheet total.

6 Interest coverage ratio is defined as the Group's income before tax plus interest expenses plus/less exchange differences on financial loans divided by interest expenses.

7 Operating cash flow/interest expenses is defined as the Group's operating income less production costs and less current taxes divided by the interest charge for the period.

8 Yield is defined as dividend in relation to quoted share price at the end of the financial period.

<b>GROUP</b>	<b>1 Jan 2005– 31 Mar 2005 3 months</b>	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2004– 31 Dec 2004 12 months
Shareholders' equity, SEK <sup>1</sup>	9.39	7.73	9.33
Operating cash flow, SEK <sup>2</sup>	2.58	0.70	5.89
Cash flow used in operations, SEK <sup>3</sup>	1.46	0.49	4.59
Earnings, SEK <sup>4</sup>	0.98	0.29	2.36
Earnings, (fully diluted), SEK <sup>5</sup>	0.97	0.29	2.34
Dividend, SEK	–	–	–
Quoted price at the end of the financial period (regards the parent company), SEK	54.5	32.9	38.2
Number of shares at period end	254,892,266	251,787,666	253,748,366
Weighted average number of shares for the period <sup>6</sup>	254,367,787	251,686,482	252,727,926
Weighted average number of shares for the period (fully diluted) <sup>5</sup>	255,913,649	255,348,247	255,134,255

1 Shareholders' equity per share is defined as the Group's shareholders' equity divided by the number of shares at period end.

2 Operating cash flow per share is defined as the Group's operating income less production costs and less current taxes divided by the weighted average number of shares for the period.

3 Cash flow used in operations per share is defined as cash flow used in operations in accordance with the consolidated statement of cash flow divided by the weighted average number of shares for the period.

4 Earnings per share is defined as the Group's net result divided by the weighted average number of shares for the period.

5 Earnings per share fully diluted is defined as the Group's net result divided by the fully diluted weighted average number of shares for the period.

6 Weighted average number of shares is defined as the number of shares at the beginning of the period with newly issued shares weighted for the proportion of the period they are in issue.

## FINANCIAL INFORMATION

The Company will publish the following reports:

- Six months report (January – June 2005) will be published on 17 August 2005
- Nine months report (January – September 2005) will be published on 16 November 2005.

Stockholm 18 May 2005

C. Ashley Heppenstall  
President & CEO

*The financial information relating to the three month period ended 31 March 2005 has not been subject to review by the auditors of the company.*

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