

Lundin Petroleum AB (publ)

Report for the  
SIX MONTHS  
ended 30 June 2006

6 2006

## Highlights

	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	<b>1 Jan 2005- 30 Jun 2005 6 months</b>	<b>1 Jan 2005- 31 Dec 2005 12 months</b>
• Production in mboepd	28.6	35.0	33.2
• Operating income in MSEK	2,301.8	1,992.6	4,190.2
• Net profit in MSEK	502.1	466.1	994.0
• Earnings/share in SEK	1.95	1.83	3.89
• Diluted earnings/share in SEK	1.94	1.82	3.87
• EBITDA in MSEK	1,581.1	1,294.7	2,782.6
• Operating cash flow in MSEK	1,231.6	1,274.6	2,627.4

### Definitions

An extensive list of definitions can be found on the Lundin Petroleum website [www.lundin-petroleum.com](http://www.lundin-petroleum.com) under the heading "Definitions"

### Abbreviations

<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation and Amortisation
<b>MSEK</b>	Million Swedish Krona
<b>MUSD</b>	Million US dollar
<b>WI</b>	Working Interest

### Oil related terms and measurements

<b>boe</b>	Barrels of oil equivalents
<b>boepd</b>	Barrels of oil equivalents per day
<b>bopd</b>	Barrels of oil per day
<b>Mbbl</b>	Thousand barrels (in Latin mille)
<b>Mboe</b>	Thousand barrels of oil equivalents
<b>Mboepd</b>	Thousand barrels of oil equivalents per day
<b>Mbopd</b>	Thousand barrels of oil per day

**Dear fellow shareholders,**

Lundin Petroleum's financial performance in the second quarter of 2006 was adversely affected by facility related problems which impacted United Kingdom production. Nevertheless, due to continued strong world oil prices, the profitability of the Company increased as compared to 2005. I continue to remain confident that our development projects in Tunisia and Norway which are progressing satisfactorily will deliver long term increases to production rates which will ensure continued growth for our Company. The acquisition of Valkyries Petroleum Corporation creates a new core area for Lundin Petroleum in Russia which has additional growth prospects from the existing asset base and from acquisitions.

**Financial Performance**

During the first half of 2006 Lundin Petroleum generated a net profit after taxes of MSEK 502.1 (MUSD 66.2) representing an 8 per cent increase as compared to the same period last year. Operating cash flow for the period was MSEK 1,231.6 (MUSD 162.3) and earnings before interest, tax and depreciation (EBITDA) was MSEK 1,581.1 (MUSD 208.4). The profitability was negatively impacted by a net deferred tax charge of MSEK 106.7 resulting from a deferred tax charge of MSEK 216.2 for the change in tax rate in the United Kingdom offset by a deferred tax benefit of MSEK 109.5 for past costs on the Oudna field in Tunisia.

**Financial Forecast**

As a result of the reduced production forecasts explained below and higher taxes partially offset by higher oil prices, we now forecast a 2006 profit after taxes of MSEK 975 (MUSD 130) using a Brent oil price of USD 65.00 per barrel for the remainder of 2006. The previous forecast was a net profit of MSEK 1,320 (MUSD 170) using a Brent oil price of USD 55.00 per barrel.

**Production**

Production during the first half of 2006 was 28,600 boepd. As a result of the United Kingdom production shortfalls and the loss of Venezuelan production, we have revised our 2006 production forecast downwards to between 29,000 and 30,000 boepd, excluding the Russian production from the Valkyries acquisition.

The production shortfalls in the United Kingdom have been a result of the compounding effect of various facilities related issues particularly in the second quarter of 2006. We have closely investigated the circumstances associated with the equipment failures and whilst such failures can continue to be expected on old production platforms, we have to accept an element of responsibility in ensuring that the likelihood of such occurrences are better incorporated into our production forecasts. We continue to invest heavily in maintaining and replacing old equipment on these production facilities as highlighted by our recent commitment to redevelop the Thistle Field, offshore United Kingdom where we believe there is significant additional reserve potential. I am confident that our United Kingdom management team and our operating partner Petrofac have the ability to optimise the efficiency of our production facilities thereby realising the full upside reserve potential of the Thistle and Heather areas is fully exploited. It is important to note that the production shortfalls have only deferred the recovery of the oil in the ground and will therefore not impact our recoverable reserves.

Production performance was also negatively impacted by the loss of production in the second quarter from Venezuela. Despite this being in part an accounting issue and having received an extension to the term of the Venezuelan license, it is a disturbing trend that Governments are seeking to increase state revenue by amending fiscal terms. Fiscal stability is a key factor when investment dollars are being allocated and such unilateral actions by host governments do have severe negative impact on foreign investment in general.

Finally, start-up from the Oudna Field offshore Tunisia coupled with the acquired Russian assets is forecast to increase production to above 40,000 boepd by the end of 2006. This will further increase to greater than 50,000 boepd by end 2007 following the production start-up from the Alveim Field offshore Norway.

**Development**

Our development projects in Tunisia and Norway are progressing well and are forecast to increase Lundin Petroleum's production to over 50,000 boepd by end 2007.

## Letter to shareholders

The Oudna project, offshore Tunisia, is close to first production. The development wells have been successfully drilled during the first half of the year and the recertification and modification work to the Ikdam FPSO has been substantially completed in Malta dry-docks. The final offshore installation and hook-up is expected to be completed prior to first production in September 2006.

Development drilling on the Alvhheim project is progressing well and initial reservoir feedback is positive. Offshore installation and Alvhheim FPSO work continues to ensure production start-up will be achieved by the end of first quarter 2007. Good progress is also being achieved with the Volund development plan to be submitted this year and which will provide further increased future Norwegian production.

### Exploration

Lundin Petroleum remains fully committed to increasing reserves through a proactive exploration investment strategy. Our exploration budget in 2006 is in excess of MUS\$ 100.

Despite the delays to the Sudan drilling programme until 2007 and disappointing results elsewhere, we still have a lot of activity left in the remaining months of 2006 with exploratory wells planned in Ireland, Norway, Indonesia and Russia. The Russian exploration well, to be spudded in September 2006 on the Lagansky Block in the Caspian Sea, is a world class exploration prospect with major reserves potential.

The delays to the Sudan drilling programme are disappointing. However, seismic acquisition is ongoing and the logistical preparations for the drilling campaign are progressing to ensure drilling commences in 2007.

### Russia

During the second quarter, we announced the acquisition of Valkyries Petroleum Corporation, a Canadian public company with exploration, development and production operations in Russia. I am very pleased that the acquisition was successfully completed in July 2006. Valkyries' management, who will remain with Lundin Petroleum, have been successful in building a portfolio

of assets in Russia over recent years. Our vision is to build upon this platform using Lundin Petroleum's technical and financial capabilities to complement the existing team with a view to ultimately deliver a material Russian business unit. This will be achieved through exploration, development of existing assets and future acquisitions. The transaction will have little initial impact upon the profitability and cash flow of Lundin Petroleum but will be earnings per share dilutive due to the new shares issued. However, in the long term we believe the deal will add value to Lundin Petroleum shareholders particularly in the form of reserves growth.

Russia is number one as measured by world oil and gas equivalent production and reserves. It is also strategically placed in respect of its proximity to Europe and China which will become more reliant in future years upon Russian oil and gas to meet its energy needs. We believe there is significant opportunity in the Russian market for independents such as Lundin Petroleum to increase reserves and production through proactive investment.

### Oil Markets

World oil prices are at record highs. As we have previously highlighted, oil demand remains strong particularly from the developing world and Lundin Petroleum is not the only company with supply shortfalls as the oil industry struggles to meet production targets. The recent political developments in the Middle East are cause for concern especially in view of the limited spare production capacity available in the world to meet potential supply disruptions.

We remain very focused on increasing shareholder value through reserves and production additions. We are currently achieving this objective through organic growth and acquisitions and we have strong financial flexibility to take advantage of further acquisition opportunities which we continue to proactively seek.

Best Regards

C. Ashley Heppenstall  
President & CEO

## OPERATIONS

### United Kingdom

The net production to Lundin Petroleum in the first half of 2006 was 18,000 boepd representing over 60% of the total production for the Group.

Net production from the Broom Field (Lundin Petroleum working interest (WI) 55%) averaged 11,700 boepd during the period. Production was below expectations particularly in the second quarter due to limitations on water injection capacity, the temporary shut-in of one production well and the underperformance of the North Terrace production well. The limitations on water injection capacity due to pump availability were compounded by the loss of seawater injection capacity due to facility failures which resulted in an extended period of no water injection into the Broom reservoir during the second quarter. The lack of water injection has resulted in significant pressure depletion in the Broom reservoir which has negatively impacted and will continue to negatively impact production until reservoir pressure has been restored. Water injection has now been fully restored and the Broom Field is currently producing at a stabilised rate albeit below previous forecast levels.

A 3-D seismic acquisition was successfully completed during the first half of 2006 over the Broom, Heather and South West Heather fields. The results of the Broom seismic will be incorporated into a revised reservoir simulation model using actual field production data. Rig capacity has been secured in order to carry out further Broom infill drilling in 2007.

Production from the Heather field (WI 100%) averaged 2,200 bopd during the period. Production continued to be affected by the lack of water injection capacity with essentially all spare water injection being directed to the Broom Field. The project to reinstall the Heather platform rig has been successfully completed. A three well initial drilling programme of infill wells and workovers has commenced and will continue through 2006 and is expected to have a positive impact on Heather production. The drilling programme will also test the potential of the non-producing Heather Triassic reservoir.

Net production from the Thistle Field (WI 99%) averaged 4,100 bopd during the period. Delays were experienced in restoring water injection capacity following the shutdown in 2005 which has had a negative impact on oil production during the period. During the period Lundin Petroleum has commenced a long term investment programme to redevelop the Thistle field. The redevelopment will involve the reinstallation of the Thistle drilling rig in 2007, a 3-D seismic programme on Thistle and significant facilities investment to ensure an extended life for the Thistle platform.

### Norway

Production from the Jotun Field (WI 7%) offshore Norway averaged approximately 900 bopd during the period. The infill drilling programme on Jotun commenced in August 2006 and is forecast to have a positive impact on Jotun production.

The development of the Alvheim Field (WI 15%) offshore Norway continues to progress satisfactorily. Development drilling is ongoing and will continue over the next two years. In tandem the Alvheim FPSO is in Norway undergoing topsides installation and subsea installation is progressing in the field. First production from Alvheim is still anticipated in early 2007 at a forecast net production rate of 12,750 boepd. Ongoing technical studies lead us to believe that material reserve upside potential exists in the Alvheim Field. In addition, the Alvheim drilling programme includes exploration drilling to test further reserve potential in the Alvheim area.

A plan of development for the Volund field (formerly Hamsun (WI 35%)) is expected to be submitted to the Norwegian Government in 2006. It is anticipated that Volund will be developed by a subsea tie back to the Alvheim FPSO.

Exploration drilling will take place in Norway later in the year. The Luno prospect in PL338 (WI 50%) is operated by Lundin Petroleum and is planned to spud in the fourth quarter 2006 along with the East Kameleon prospect in the Alvheim area (WI 15%). The exploration well in PL335 (WI 18%) will now be drilled in 2007 due to a revised rig schedule.

## France

In the Paris Basin the 2,700 boepd net production was ahead of expectations for the period. An ongoing programme of workovers and well intervention has yielded positive production results in the Paris Basin. A four well infill drilling programme on the Villeperdue Field (WI 100%) will commence in August 2006. The exploration well Chevigny-1 in the Val des Marais concession (WI 50%) drilled in July 2006 was plugged and abandoned as a dry hole.

In the Aquitaine Basin (WI 50%) the net production was slightly below expectations at 1,100 boepd. The development of the Mimosa field in the Aquitaine Basin has been delayed from late 2006 to 2007.

## Indonesia

### *Salawati Island and Basin (Papua)*

The net production from Salawati (Salawati Island WI 14.5% and Salawati Basin WI 25.9%) was in line with expectations at 2,300 boepd during the period. The Salawati basin production was positively impacted by successful infill drilling. The development of the TBA field offshore Salawati Island is ongoing with first oil expected in the third quarter of 2006 following the conversion of an FPSO in Singapore. The TBA field will add 1,000 boepd net production to Lundin Petroleum.

### *Banyumas (Java)*

The Jati-1 exploration well (WI 25%) has been plugged and abandoned as a dry hole.

### *Blora (Java)*

It is planned to drill an exploration well Tengis-1 (WI 43.3%) in 2006 and field regulatory approvals are being sought prior to commencement of operations.

### *Lematang (South Sumatra)*

A plan of development for the Singa gas Field (WI 15.88%) is currently awaiting Indonesian Government approval. A heads of agreement in relation to the sale of gas from the Singa field has been signed with the state gas distribution company PT Perusahaan Negara (PGN) to supply gas to PGN customers in West Java for 10 years starting in 2008. A gas sales agreement with PGN is currently being finalised.

Lundin Petroleum signed an agreement in June 2006 to acquire an additional 10 per cent working interest in the Lematang Block from Serica Energy plc for USD 5 million. Following completion of the transaction which is subject to government approval, Lundin Petroleum will own a 25.88% working interest in the Lematang Block containing the Singa Field.

## The Netherlands

Gas production from the Netherlands for the period averaged 2,400 boepd and was negatively impacted by delays to the development of the L4G which is now onstream.

## Tunisia

Production from the Isis field (WI 40%) was suspended in April 2006 as planned. The average production from the Field during the period from January 1 to suspension was 600 boepd.

The development drilling on the Oudna field (WI 50%) offshore Tunisia has been successfully completed. The re-classification and upgrading work on the Ikdam FPSO in Malta drydocks is nearing completion. The Ikdam FPSO will be shortly redeployed on the Oudna field where production is expected to commence in the third quarter 2006. Initial net production from the Oudna field is forecast at 10,000 boepd.

## Venezuela

In July 2006 an agreement was completed between Lundin Petroleum and its partners and the Venezuelan national oil company Petr leos de Venezuela S.A. (PDVSA) in connection with the conversion of the Colon Unit Operating Services Agreement (WI 12.5%) into a new joint venture company with direct participation by PDVSA. Lundin Petroleum holds a 5% equity interest in the new joint venture company, Baripetrol SA. The new arrangement was effective from 1st April 2006 and as such Lundin Petroleum will from this date account for its investment in Venezuela as an equity holding and will not report its share of production. PDVSA has agreed to extend the period for exploration and production on the Colon Block from 2014 to 2025.

The net production from the Colon Block in the first quarter 2006 was 1,800 boepd.

## OPERATIONS-EXPLORATION

### Ireland

Lundin Petroleum operates the Petroleum Exploration Licence N°.1/05 in the Donegal Basin (WI 30%). An offshore exploration well is planned to be spudded in August 2006 on the Inishbeg gas prospect.

### Nigeria

Lundin Petroleum holds a 22.5% net revenue interest in OML 113 offshore Nigeria containing the Aje oil and gas discovery. Technical and commercial studies are ongoing to determine whether further appraisal drilling on the Aje field is warranted and a decision will be made in the fourth quarter of 2006.

### Sudan

A comprehensive peace agreement was signed in Sudan in early 2005 between the Government and the Sudan People's Liberation Army (SPLA). A new Government has been formed containing representatives of the major political factions. In addition a National Petroleum Commission has been formed comprising of the President of Sudan, representatives of the national Government and the Government of Southern Sudan and representatives of the local area where oil activity is taking place. The National Petroleum Commission will oversee petroleum activities in Sudan.

The 2-D seismic acquisition is ongoing on Block 5B (WI 24.5%) where it is planned to acquire 1,100 km of new data. Acquisition progress has been slower than anticipated due to logistical issues. In addition it is now likely that the three well exploration programme in Block 5B planned for 2006 will not commence until 2007. The delays to drilling commencement are related to operational logistics but progress has been made in relation to contract awards and construction to allow swamp drilling operations in Block 5B. Commencement of drilling operations in 2007 is, however, still subject to the operating environment in Block 5B remaining stable and secure.

### Albania

A 3-D seismic programme has been acquired on the Durrresi Block (WI 50%). The seismic data is currently being processed and interpreted with a view to selecting

drilling targets and commencing exploration drilling in 2007 subject to rig availability.

### South East Asia/ Vietnam

Lundin Petroleum has in July 2006 opened a new office in Singapore to develop new venture exploration and production opportunities in the South East Asia region. In August 2006 Lundin Petroleum was conditionally awarded a 33.33% working interest in Block 06/94 in the Nam Con Son Basin, offshore Vietnam. The deal is subject to the execution of a Production Sharing Contract with PetroVietnam.

## THE GROUP

### Result

Lundin Petroleum reports a net profit for the six month period ended 30 June 2006 of MSEK 502.1 (MSEK 466.1) and MSEK 82.6 (MSEK 216.0) for the second quarter of 2006 representing earnings per share on a fully diluted basis of SEK 1.94 (SEK 1.82) for the first half year of 2006 and SEK 0.32 (SEK 0.84) for the second quarter of 2006. The profit for the second quarter of 2006 has been adversely affected by the lower production achieved during the quarter and by the effect of recording a net deferred tax charge of MSEK 106.7 resulting from a deferred tax charge of MSEK 216.2 for the change in tax rate in the United Kingdom offset by a deferred tax benefit of MSEK 109.5 for past costs on the Oudna field in Tunisia.

Operating cash flow for the first half year of 2006 amounted to MSEK 1,231.6 (MSEK 1,274.6) and MSEK 519.1 (MSEK 613.6) for the second quarter of 2006 representing operating cash flow per share on a fully diluted basis of SEK 4.76 (SEK 4.98) for the first half year of 2006 and SEK 2.0 (SEK 2.39) for the second quarter of 2006.

Earnings before interest, tax and depletion and amortisation (EBITDA) for the first half year of 2006 amounted to MSEK 1,581.1 (MSEK 1,294.7) and MSEK 646.8 (MSEK 627.8) for the second quarter of 2006 representing EBITDA per share on a fully diluted basis of SEK 6.11 (SEK 5.05) for the first half year of 2006 and SEK 2.50 (SEK 2.45) for the second quarter of 2006.

### **Direct investment**

On 12 July 2006, Lundin Petroleum signed an agreement with PDVSA to convert its directly owned 12.5% interest in the Colón Block Operating Service Agreement into a 5% shareholding in a joint venture company, Baripetrol SA, owning 100% of the Colón Block. The agreement confirmed the effective date for the transfer as 1 April 2006. Under the IFRS rules, under which Lundin Petroleum prepares its financial statements, this investment will be treated as an equity investment and Lundin Petroleum will only report income on a cash receipt basis. As such, Lundin Petroleum has ceased to report production and reserves, and revenue and cost of sales for the Colón Block from 1 April 2006.

### **Items impacting the quarterly result**

The result for the second quarter of 2006 was affected by a number of factors. The revenue generated for the period was lower than anticipated due to the lower production achieved during the period. Facility problems on the United Kingdom platforms affected the reservoir performance for the quarter.

On 20 April 2006, the FPSO Ikdam ceased operations on the Isis field, offshore Tunisia, and sailed to Malta for refurbishment prior to redeploying to the Oudna field, offshore Tunisia. The balance of capitalised expenditure attributable to the Isis field of MSEK 35.2 was charged to the income statement during the period.

The deferred tax charge for the second quarter of 2006 includes the effects of the restatement of the United Kingdom corporate tax rate from 40% to 50%. The income

statement has been affected by a one off, non-cash charge of MSEK 216.2 for the restatement of the opening deferred tax balances relating to the United Kingdom assets. At the time it was announced that the tax rate in the United Kingdom would be increased, it was also announced that the tax deduction for capital expenditure incurred in 2005 could be deferred until 2006 when it would benefit from a deduction against the higher rate of tax. Lundin Petroleum has elected to exercise this option which has resulted in a lower 2006 current tax charge of MSEK 65.2. The second quarter result also carries the tax charge for the increased rate of tax in the United Kingdom from the first quarter of 2006 of MSEK 56.6.

Following the successful drilling of the Oudna wells and the removal of the FPSO Ikdam from the Isis field for redeployment to the Oudna field, Lundin Petroleum has recognised a deferred tax asset of MSEK 109.5 for tax losses that can be utilised against taxable income from the Oudna field.

On 12 July 2006, an agreement was completed between Lundin Petroleum and its partners and the Venezuelan national oil company Petróleos de Venezuela S.A. (PDVSA) in connection with the conversion of the Colón Block Operating Services Agreement (Lundin Petroleum 12.5% working interest) into a joint venture company with direct participation by PDVSA. Under the terms of the agreement, Lundin Petroleum holds a 5% equity interest in the new joint venture company. This new arrangement was effective from 1 April 2006 and as such, no revenue or cost of sales have been reported in this quarter.



The following table shows the impact of certain items on the quarterly results.

	<b>1 Jan 2006- 30 Jun 2006</b>	1 Apr 2006- 30 Jun 2006	1 Jan 2006- 31 Mar 2006
<b>Net result</b>	<b>502.1</b>	82.6	419.5
Adjustment for capital expenditures in Tunisia	35.2	35.2	–
Adjustment for Tunisian tax	-109.5	-109.5	–
Adjustment for UK deferred tax opening balances	216.2	216.2	–
Adjustment for deferral of capital deduction	-65.2	-65.2	–
Quarterly adjustment for recording tax increase	–	56.6	-56.6
	<b>578.8</b>	215.9	362.9

#### Revenue

Net sales of oil and gas for the six month period ended 30 June 2006 amounted to MSEK 2,192.8 (MSEK 1,904.0) and MSEK 997.6 (MSEK 993.3) for the second quarter of 2006. Production for the six month period ended 30 June 2006 amounted to 5,185.6 (6,335.5) thousand barrels of oil equivalent (mboe) and 2,254.8 mboe (3,083.4 mboe) for the second quarter of 2006 representing 28.6 mboe per day (mboepd) (35.0 mboepd) for the six month period ended 30 June 2006 and 24.7 mboepd (33.9 mboepd) for the second quarter of 2006. The average price achieved for a barrel of oil equivalent for the six month period ended 30 June 2006 amounted to USD 61.98 (USD 48.23).

The average Dated Brent price for the six month period ended 30 June 2006 amounted to USD 65.69 (USD

49.55) per barrel resulting in a post-tax negative hedge settlement of MSEK 57.7 (MSEK 66.6).

Other operating income for the six month period ended 30 June 2006 amounted to MSEK 109.0 (MSEK 88.6) and MSEK 59.5 (MSEK 45.6) for the second quarter of 2006. This amount includes tariff income from the United Kingdom, France and the Netherlands and income for maintaining strategic inventory levels in France. Tariff income in the United Kingdom decreased in the second quarter of 2006 to MSEK 60.1 from MSEK 74.5 in the comparative quarter following the lower production achieved. This decrease was offset by revenue of MSEK 22.3 generated from the sale of CO2 emission rights during the second quarter of 2006.

## Financial report for the six months ended 30 June 2006

Sales for the six month period ended 30 June 2006 were comprised as follows:

<b>Sales</b>	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
Average price per boe expressed in USD*					
<b>United Kingdom</b>					
- Quantity in mboe	3,302.5	1,527.6	3,796.3	1,936.5	7,241.0
- Average price per boe	63.69	67.40	49.90	51.86	54.56
<b>France</b>					
- Quantity in mboe	648.1	242.6	813.3	386.1	1,563.8
- Average price per boe	64.13	66.84	48.96	50.59	53.75
<b>Norway</b>					
- Quantity in mboe	150.8	74.0	208.0	117.1	372.4
- Average price per boe	60.41	63.43	47.58	50.31	51.45
<b>Netherlands</b>					
- Quantity in mboe	423.9	201.0	464.2	216.6	855.4
- Average price per boe	47.54	48.81	35.41	35.54	37.45
<b>Indonesia</b>					
- Quantity in mboe	207.0	117.0	270.5	124.7	495.9
- Average price per boe	58.06	62.80	46.24	50.12	48.90
<b>Tunisia</b>					
- Quantity in mboe	122.5	59.6	82.5	-	328.6
- Average price per boe	63.09	71.29	48.92	-	62.53
<b>Ireland</b>					
- Quantity in mboe	-	-	24.1	5.3	24.1
- Average price per boe	-	-	33.3	32.9	33.31
<b>Total</b>					
- <b>Quantity in mboe</b>	<b>4,854.8</b>	2,221.8	5,658.9	2,786.3	10,881.2
- <b>Average price per boe</b>	<b>61.98</b>	65.39	48.23	50.23	52.93

\* The average price per boe (barrels of oil equivalent) excludes the result of the hedge settlement.

Income from Venezuela is derived by way of a service fee and interest income. The operating result for Venezuela is only included until 31 March 2006.

<b>Production</b>	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	<b>1 Apr 2006- 30 Jun 2006 3 months</b>	<b>1 Jan 2005- 30 Jun 2005 6 months</b>	<b>1 Apr 2005- 30 Jun 2005 3 months</b>	<b>1 Jan 2005- 31 Dec 2005 12 months</b>
<b>United Kingdom</b>					
- Quantity in mboe	3,265.6	1,423.0	3,831.1	1,863.2	7,360.7
- Quantity in mboepd	18.0	15.6	21.1	20.5	20.2
<b>France</b>					
- Quantity in mboe	682.4	337.2	773.7	374.6	1,533.7
- Quantity in mboepd	3.8	3.7	4.3	4.1	4.2
<b>Norway</b>					
- Quantity in mboe	160.7	72.9	191.7	90.0	360.2
- Quantity in mboepd	0.9	0.8	1.0	1.0	1.0
<b>Netherlands</b>					
- Quantity in mboe	423.9	201.0	464.2	216.6	855.4
- Quantity in mboepd	2.3	2.2	2.6	2.4	2.3
<b>Venezuela</b>					
- Quantity in mboe	160.7	-5.4	419.2	231.6	769.4
- Quantity in mboepd	0.9	-0.1	2.3	2.5	2.1
<b>Indonesia</b>					
- Quantity in mboe	424.2	214.7	421.4	207.4	825.1
- Quantity in mboepd	2.3	2.4	2.3	2.3	2.3
<b>Tunisia</b>					
- Quantity in mboe	68.1	11.4	210.0	94.6	354.8
- Quantity in mboepd	0.4	0.1	1.2	1.0	1.0
<b>Ireland</b>					
- Quantity in mboe	-	-	24.2	5.4	24.2
- Quantity in mboepd	-	-	0.2	0.1	0.1
<b>Total</b>					
- Quantity in mboe	<b>5,185.6</b>	2,254.8	6,335.5	3,083.4	12,083.5
- Quantity in mboepd	<b>28.6</b>	24.7	35.0	33.9	33.2

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 always be equal to the production at the end of a financial quarter. The accounting effect of the timing differences between sales and production are reflected in the movements in the hydrocarbons inventory and the under/overlift position. 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 United Kingdom 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 oil 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 oil that is sold. The crude oil that is pumped into the pipeline system is tested against the blend of crude oil that arrives at the terminal and an adjustment is made to the number of barrels allocated to each field to reflect the relative quality of the crude oil input into the system. There is a quality adjustment of approximate minus five percent applied to the United Kingdom crude oil produced. In Indonesia, production is allocated under

a Production Sharing Contract (PSC) where, as part of the commercial terms of the agreement, a part of the working interest production is allocated to the host country as a type of royalty payment.

Production for Venezuela is only included for the period until 31 March 2006. The production shown in the table above represents the production achieved in the period divided by the number of days in the period. Production for Venezuela is given for the first quarter only but divided by the number of days for the six month period. Daily production achieved for Venezuela during the period that the production was included amounted to 1.8 mboepd. The negative production for Venezuela reported in the second quarter of 2006 is an adjustment to the first quarter production advised by the field operator after the period end.

Production from the Isis field, offshore Tunisia, ceased on 20 April 2006 when the FPSO Ikdam sailed to Malta for refurbishment prior to relocating to the Oudna field. The Isis field produced 0.6 mboepd for the period up to 20 April 2006.

#### Production cost

Production costs for the six month period ended 30 June 2006 expressed in US dollars were comprised as follows:

<b>Production cost and depletion</b> in TUSD	<b>1 Jan 2006- 30 Jun 2006</b> <b>6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
Cost of operations	78,804	42,341	78,812	42,397	148,570
Tariff and transportation expenses	9,018	3,717	10,326	4,619	17,906
Royalty and direct taxes	2,119	1,070	2,257	1,192	4,803
Changes in inventory/overlift	-1,917	4,826	216	4,540	4,563
<b>Total production costs</b>	<b>88,024</b>	51,954	91,611	52,748	175,842
Depletion	53,409	27,563	54,576	26,506	101,064
<b>Total</b>	<b>141,433</b>	79,517	146,187	79,254	276,906

<b>Production cost and depletion</b> in USD per boe	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
Cost of operations	15.20	18.78	12.44	13.75	12.30
Tariff and transportation expenses	1.74	1.65	1.63	1.50	1.48
Royalty and direct taxes	0.41	0.47	0.36	0.39	0.40
Changes in inventory/overlift	-0.37	2.14	0.03	1.47	0.38
<b>Total production costs</b>	<b>16.98</b>	23.04	14.46	17.11	14.56
Depletion	10.30	12.22	8.61	8.60	8.36
<b>Total</b>	<b>27.28</b>	35.26	23.07	25.71	22.92

Production costs for the six month period ended 30 June 2006 amounted to MSEK 667.8 (MSEK 651.4). The reported cost of operations amounted to USD 15.20 per barrel (USD 12.44 per barrel) for the six month period ended 30 June 2006. The costs of operations incurred for the six month period are in line with forecasts but the lower than expected production during the period has resulted in a higher cost per barrel than anticipated. The cost of operations are expected to remain at the level of the second quarter but the cost of operations per barrel will decrease as production levels are restored and with the inclusion of the Oudna production during the third quarter of 2006.

### Depletion

Depletion of oil and gas properties for the six month period ended 30 June 2006 amounted to MSEK 405.2 (MSEK 388.1) and MSEK 204.1 (MSEK 193.8) for the second quarter of 2006. The Isis field was shut down earlier than anticipated to allow the FPSO Ikdam to relocate to the Oudna field. This coupled with a higher than anticipated provision for site restoration costs on the Isis field resulted in an undepleted cost pool for Isis of MSEK 35.2. This amount was charged to the income statement in the second quarter of 2006. Subsequent to the end of the reporting period, Lundin Petroleum signed an agreement converting the 12.5% direct interest in the Colon Block into a 5% equity investment in a joint venture company holding 100% of the Colon Block. As part of the agreement the life of the field was extended from 2014 to 2025. Lundin Petroleum has decided to continue to deplete the carrying value of its Venezuela investment on

a quarterly basis. This has had the effect of increasing the depletion cost per barrel because there is no Venezuelan production corresponding to the depletion charge.

### Write off

Write off of oil and gas properties amounted to MSEK 34.4 (MSEK 11.2) for the six month period ended 30 June 2006 and MSEK 20.4 (MSEK 2.6) for the second quarter of 2006. The costs written off during the first six months of 2006 relate to the exploration well drilled in Block F-12 in the Netherlands and the costs relating to the drilling of the Jati well in Indonesia.

### Sale of assets

In 2005 Lundin Petroleum entered into a sale and leaseback agreement for the Jotun vessel utilised in the Jotun field offshore Norway resulting in a pre-tax gain of MSEK 192.1 and a post tax gain of MSEK 24.0.

### Other income

Other income for the six month period ended 30 June 2006 amounted to MSEK 2.8 (MSEK 3.3) and MSEK 0.9 (MSEK 0.6) for the second quarter of 2006 and represents fees and costs recovered by Lundin Petroleum from third parties.

### General, administrative and depreciation expenses

General, administrative and depreciation expenses for the six month period ended 30 June 2006 amounted to MSEK 55.8 (MSEK 49.8) and MSEK 23.9 (MSEK 29.3) for the second quarter of 2006. Depreciation charges amounted to MSEK 5.0 (MSEK 5.1) for the six month period ended

30 June 2006 and MSEK 2.9 (MSEK 3.8) for the second quarter of 2006.

## Financial income

Financial income for the six month period ended 30 June 2006 amounted to MSEK 89.6 (MSEK 15.7) and MSEK 46.6 (MSEK 8.8) for the second quarter of 2006. Interest income for the six month period ended 30 June 2006 amounted to MSEK 14.4 (MSEK 9.0) and includes interest received on bank accounts of MSEK 10.0 (MSEK 4.1), interest received on a loan to an associated company for an amount of MSEK 2.0 (MSEK 1.8), interest received in relation to tax repayments for an amount of MSEK 1.0 (MSEK -) and the interest fee received from Venezuela for an amount of MSEK 1.0 (MSEK 1.9).

Dividend income received for the six month period ended 30 June 2006 amounted to MSEK 6.5 (MSEK 6.7) and relates to distributions received from an unconsolidated investment in a company owning an interest in the Dutch gas processing and transportation infrastructure (NOGAT). Net exchange gains for the six month period ended 30 June 2006 amounted to MSEK 66.4 (MSEK - 78.4). The exchange gains for the six month period ended 30 June 2006 are mainly the result of the change in fair value of the currency hedging contracts and the revaluation of the USD loan outstanding into the NOK reporting currency of the entity in which the funds were drawn. During the six month period ended 30 June 2006 the inflation of the NOK and the EUR against the USD amounted to approximately 7.8% and 7.8%, respectively.

## Financial expense

Financial expenses for the six month period ended 30 June 2006 amounted to MSEK 47.3 (MSEK 119.1) and MSEK 24.7 (MSEK 68.0) for the second quarter of 2006. Interest expense for the six month period ended 30 June 2006 amounted to MSEK 18.3 (MSEK 27.4) and mainly relates to the bank loan facility.

The amortisation of financing fees amounted to MSEK 9.4 (MSEK 7.0) for the six month period ended 30 June 2006 and MSEK 4.7 (MSEK 3.3) for the second quarter of 2006. The financing fees are in relation to the bank loan facility and are amortised over the anticipated usage of the bank loan facility.

## Tax

The tax charge for the six month period ended 30 June 2006 amounted to MSEK 681.6 (MSEK 326.0) and MSEK 361.5 (MSEK 156.1) for the second quarter of 2006. The current corporation tax charge of MSEK 384.1 (MSEK 52.2) comprises current corporation tax charges in, primarily the United Kingdom, the Netherlands, Indonesia and Venezuela. The increase is mostly due to the fact that the United Kingdom utilised tax losses to offset current corporation tax during the comparative period. The tax losses available in the United Kingdom were fully utilised during 2005. In the United Kingdom, the rate of Supplementary Corporation Tax (SCT) has been increased from 10% to 20% with effect from 1 January 2006 by the passing of the Finance Act 2006. This raises the effective rate of tax in the United Kingdom from 40% to 50%. The tax charge for the second quarter of 2006 is calculated using the increased rate of tax and also includes the increased tax charge for the first quarter of 2006 of MSEK 56.6. At the time it was announced that the tax rate in the United Kingdom would be increased, it was also announced that the tax deduction for capital expenditure incurred in 2005 could be deferred until 2006 when it would benefit from a deduction against the higher rate of tax. Lundin Petroleum has elected to exercise this option which has resulted in a lower 2006 current tax charge of MSEK 65.2.

The deferred corporate tax charge for the six month period ended 30 June 2006 amounted to MSEK 260.5 (MSEK 260.1). Included with the deferred tax charge is a charge of MSEK 62.7 for tax losses carry forward utilised in Norway and France and a charge of MSEK 84.6 due to timing differences in the rate of depletion of oil and gas assets between accounting and fiscal reporting. The deferred tax charge for the comparative period includes the utilisation of the tax losses in the United Kingdom. The deferred tax charge for the second quarter of 2006 includes the effects of the restatement of the United Kingdom corporate tax rate from 40% to 50%. The income statement has been affected by a one off, non-cash charge of MSEK 216.2 for the restatement of the opening deferred tax balances relating to the United Kingdom assets. Following the successful drilling of the Oudna wells and the removal of the FPSO Ikdam from the Isis field for redeployment to the Oudna field, Lundin Petroleum has recognised a deferred tax asset of

MSEK 109.5 for tax losses that will be utilised against taxable income from the Oudna field.

The petroleum tax charge for the six month period ended 30 June 2006 amounts to MSEK 18.4 (MSEK 14.5). The deferred petroleum tax charge for the six month period ended 30 June 2006 amounts to MSEK 18.7 (MSEK -1.3).

The Group operates in various countries and fiscal regimes where corporate income tax rates are different from the regulations in Sweden. Corporate income tax rates for the Group vary between 28% and 78%. Currently the majority of the Group's profit is derived from the United Kingdom where the effective tax rate amounts to 50%. The effective tax rate for the Group for the six month period ended 30 June 2006 amounts to approximately 58%. The effective tax rate for the Group for the six month period ended 30 June 2006 excluding the restatement of the opening deferred tax balances relating to the assets in

the United Kingdom and the successful developments in Tunisia amounts to approximately 49%.

#### Minority interest

The net profit attributable to minority interest for the six month period ended 30 June 2006 amounted to MSEK 0.9 (MSEK 0.2) and relates to the 0.14% of Lundin International SA that is owned by minority shareholders.

#### BALANCE SHEET

##### Tangible fixed assets

Tangible fixed assets as at 30 June 2006 amounted to MSEK 6,202.0 (MSEK 5,827.0) of which MSEK 6,101.1 (MSEK 5,732.9) relates to oil and gas properties and are detailed in Note 7. Development and exploration expenditure incurred for the six month period ended 30 June 2006 can be summarised as follows:

Exploration expenditure in MSEK	1 Jan 2006- 30 Jun 2006 6 months	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
United Kingdom	58.8	57.1	7.4	7.4	17.2
France	11.2	9.4	2.4	1.9	16.8
Norway	53.2	27.3	24.5	12.6	69.6
Netherlands	7.4	0.7	0.8	0.2	16.6
Indonesia	35.9	13.7	21.8	11.9	61.2
Tunisia	0.1	0.1	0.8	0.7	2.0
Albania	2.6	1.4	2.9	0.8	24.5
Ireland	1.8	1.2	2.0	-	2.6
Iran	-0.1	-	4.5	-	6.0
Sudan	33.9	33.0	2.0	2.1	7.8
Nigeria	3.9	2.8	73.3	71.6	158.2
Other	66.9	62.4	6.4	3.4	12.8
<b>Exploration expenditure</b>	<b>275.6</b>	<b>209.1</b>	<b>148.8</b>	<b>112.6</b>	<b>395.3</b>

## Financial report for the six months ended 30 June 2006

<b>Development expenditure</b> in MSEK	<b>1 Jan 2006- 30 Jun 2006</b> <b>6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
United Kingdom	189.9	125.1	218.8	103.4	619.8
France	12.5	8.6	14.2	8.7	24.2
Norway	248.7	141.3	225.2	109.3	596.2
Netherlands	5.3	2.8	17.1	8.2	49.0
Indonesia	22.1	6.8	36.8	21.7	59.8
Tunisia	308.1	173.4	6.4	3.6	72.5
Venezuela	3.1	-0.1	19.7	10.8	35.5
Ireland	-	-	-	0.5	-
<b>Development expenditure</b>	<b>789.7</b>	<b>457.9</b>	<b>538.2</b>	<b>266.2</b>	<b>1,457.0</b>

Other tangible fixed assets as at 30 June 2006 amounted to MSEK 101.0 (MSEK 94.1)

### Financial fixed assets

Financial fixed assets as at 30 June 2006 amounted to MSEK 560.0 (MSEK 502.5) and are detailed in Note 8. Restricted cash as at 30 June 2006 amounted to MSEK 19.7 (MSEK 23.8) and represents the cash amount deposited to support a letter of credit issued in support of exploration work commitments in Sudan. Shares and participations amount to MSEK 156.0 (MSEK 151.9) as at 30 June 2006. The increase in the fair value of the shares and participation amounted to MSEK 13.5 (MSEK -) for the six month period ended 30 June 2006. 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 relates primarily to tax losses carried forward in the Tunisia, France and Norway and to the tax effects of the fair value adjustments for the financial instruments. Other financial fixed assets amount to MSEK 10.3 (MSEK 8.2) and are funds held by joint venture partners in anticipation of future expenditures.

### Current receivables and inventories

Current receivables and inventories amounted to MSEK 1,062.6 (MSEK 1,043.5) as at 30 June 2006 and are detailed in Note 9. Inventories include hydrocarbons and consumable well supplies. Tax receivables as at 30 June 2006 amounted to MSEK 107.9 (MSEK 117.3) and related to tax refunds due in Norway and the Netherlands.

### Cash and bank

Cash and bank as at 30 June 2006 amounted to MSEK 350.0 (MSEK 389.4).

### Non-current liabilities

Provisions as at 30 June 2006 amounted to MSEK 2,359.2 (MSEK 2,087.2) and are detailed in Note 10. This amount includes a provision for site restoration of MSEK 396.8 (MSEK 329.2). The increase in the site restoration provision is primarily due to changes in estimated expenses necessary for the removal of facilities and plugging and abandoning the wells. The provision for deferred tax amounted to MSEK 1,937.7 (MSEK 1,735.1) and is mainly arising on the excess of book value over the tax value of oil and gas properties.

Long term interest bearing debt amounted to MSEK 272.5 (MSEK 736.2) as at 30 June 2006. 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 United Kingdom, and cash drawings of MUSD 350.0. The amount of cash drawings outstanding under the facility at 30 June 2006 amounted to MUSD 37.5.



### Current liabilities

Current liabilities as at 30 June 2006 amounted to MSEK 1,636.3 (MSEK 1,256.3) and are detailed in Note 11. As at 30 June 2006, the fair value of the outstanding derivative instruments amounted to MSEK 244.4 (MSEK 193.8) and is primarily relating to the oil price hedging contracts. Joint venture creditors amounted to MSEK 404.0 (MSEK 389.9) and mainly relates to the amounts payable for the development activities in progress in Norway, Tunisia and Indonesia.

### DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into the following oil price hedges:

Contract date	USD per barrel		Start date	End date
	Dated Brent	Barrels per day		
3/2005	53.19	5,000	1/1/2006	31/12/2006
12/2005	61.40	5,000	1/1/2006	31/12/2006

Under the criteria of IAS 39, the oil price hedges are effective and qualify for hedge accounting. Changes in fair value of these contracts are charged directly to the shareholders' equity. Upon settlement the relating part of the reserve is released to the income statement.

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.

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

The 3.49% interest rate contract had been entered into in relation to a previous credit facility, which was repaid and cancelled in 2003. As of 1 January 2004, this contract has been recorded at fair value with changes in fair value being recorded in the income statement.

The 2.32% interest rate contract relates to the current credit facility. As from 1 January 2005, the contract met the conditions of IAS 39 to qualify for hedge accounting with changes in fair value being charged directly to shareholders' equity. Following the repayment of the underlying portion of the loan in 2005, the 2.32% interest rate contract became ineffective in the fourth quarter of 2005 and hedge accounting could no longer be applied. As from this date, changes in fair value of this contract are therefore charged to the income statement.

The Group has entered into the following currency hedging contracts:

Buy	Sell	Average contractual exchange rate	Settlement period
MGBP 36.0	MUSD 63.3	1.7588	20 Dec 2005 – 20 Nov 2006
MEUR 14.4	MUSD 18.3	1.2716	20 Dec 2005 – 20 Nov 2006
MCHF 10.0	MUSD 7.7	0.7711	20 Dec 2005 – 20 Nov 2006

The currency hedging contracts are treated as being ineffective and therefore do not qualify for hedge accounting under IAS 39. Changes in fair value of these contracts are directly charged to the income statement.

## PARENT COMPANY

The business of the Parent Company is investment in and management of oil and gas assets. The net profit for the parent company amounted to a gain of MSEK 7.7 (MSEK 2.1) for the six month period ended 30 June 2006 and a gain of MSEK 5.2 (MSEK -0.4) for the second quarter of 2006.

The profit included general and administrative expenses of MSEK 29.0 (MSEK 23.1) offset by net financial income and expenses of MSEK 16.6 (MSEK 18.9). Interest income derived from loans to subsidiary companies amounted to MSEK 18.4 (MSEK 17.8). Currency exchange losses amounted to MSEK 1.9 (MSEK -1.1).

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.

## SHARE DATA

Lundin Petroleum AB's share capital at 30 June 2006 amounts to SEK 2,580,612 represented by 258,061,166 shares with a quota value of SEK 0.01 each.

The following incentive warrants have been issued under the Groups incentive programme for employees. The incentive warrants for 2004, 2005 and 2006 were issued at a 10% premium to the average closing price of Lundin Petroleum shares for the ten days after the AGM.

Incentive warrants outstanding at the end of the period have the following expiry date and exercise prices:

	Issued 2004	Issued 2005	Issued 2006
Exercise price (SEK)	45.80	60.20	97.4
Numbers authorised	2,250,000	3,000,000	3,250,000
Number outstanding	866,000	2,791,000	3,226,000
Exercise period	31 May 2005– 31 May 2007	15 June 2006– 31 May 2008	15 June 2007– 31 May 2009

## EXCHANGE RATES

For the preparation of the financial statements for the six month period ended 30 June 2006 the following currency exchange rates have been used.

	Average	Period end
1 EUR equals SEK	9.3258	9.2385
1 USD equals SEK	7.5869	7.2670

## ACCOUNTING PRINCIPLES

The financial statements of the Group have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Reporting. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

The financial statements of the Parent Company have been prepared in accordance with RR32 as in the annual report for the year ended 31 December 2005.

## Income statement

Expressed in TSEK	Notes	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
<b>Operating income</b>						
Net sales of oil and gas	1	2,192,843	997,622	1,904,004	993,277	3,995,477
Other operating income		109,004	59,471	88,598	45,631	194,707
		<b>2,301,847</b>	1,057,093	1,992,602	1,038,908	4,190,184
<b>Cost of sales</b>						
Production costs	2	-667,832	-387,206	-651,400	-382,417	-1,310,905
Depletion of oil and gas properties	3	-405,201	-204,128	-388,052	-193,772	-753,428
Write off of oil and gas properties		-34,407	-20,420	-11,176	-2,617	-208,135
		<b>1,194,407</b>	445,339	941,974	460,102	1,917,716
<b>Gross profit</b>						
Sale of assets		-	-	-	-	192,122
Other income		2,842	879	3,319	597	6,438
General, administration and depreciation expenses		-55,780	-23,947	-49,831	-29,341	-103,118
		<b>1,141,469</b>	422,271	895,462	431,358	2,013,158
<b>Result from financial investments</b>						
Financial income	4	89,585	46,617	15,653	8,774	44,012
Financial expenses	5	-47,349	-24,723	-119,078	-67,980	-196,461
		<b>42,236</b>	21,894	-103,425	-59,206	-152,449
<b>Profit before tax</b>						
		<b>1,183,705</b>	444,165	792,037	372,152	1,860,709
Tax	6	-681,567	-361,536	-325,961	-156,117	-866,734
		<b>502,138</b>	82,629	466,076	216,035	993,975
<b>Net profit attributable to:</b>						
Shareholders of the parent company		501,242	81,936	465,851	216,512	993,507
Minority interest		896	693	225	-478	468
		<b>502,138</b>	82,629	466,076	216,035	993,975
Earnings per share – SEK <sup>1</sup>		1.95	0.32	1.83	0.85	3.89
Diluted earnings per share – SEK <sup>1</sup>		1.94	0.32	1.82	0.84	3.87

<sup>1</sup> Based on net profit attributable to shareholders of the parent company.

## Balance sheet

Expressed in TSEK	Note	30 Jun 2006	31 Dec 2005
<b>ASSETS</b>			
<b>Tangible fixed assets</b>			
Oil and gas properties	7	6,101,068	5,732,871
Other tangible fixed assets		100,981	94,136
<b>Total tangible fixed assets</b>		<b>6,202,049</b>	5,827,007
<b>Financial fixed assets</b>			
	8	<b>560,034</b>	502,474
<b>Total fixed assets</b>		<b>6,762,083</b>	6,329,481
<b>Current assets</b>			
Current assets receivables and inventories	9	1,062,606	1,043,477
Cash and bank		349,960	389,415
<b>Total current assets</b>		<b>1,412,566</b>	1,432,892
<b>Total assets</b>		<b>8,174,649</b>	7,762,373
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Shareholders' equity		3,902,658	3,679,616
Minority interest		4,062	3,050
<b>Total equity</b>		<b>3,906,720</b>	3,682,666
<b>Non-current liabilities</b>			
Provisions	10	2,359,151	2,087,250
Bank loans		272,513	736,151
<b>Total non-current liabilities</b>		<b>2,631,664</b>	2,823,401
<b>Current liabilities</b>			
	11	<b>1,636,265</b>	1,256,306
<b>Total equity and liabilities</b>		<b>8,174,649</b>	7,762,373
Pledged assets		1,114,692	1,128,763
Contingent liabilities		-	-

## Statement of cash flow

Expressed in TSEK	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
<b>Cash flow from operations</b>					
Net profit	502,138	82,629	466,076	216,035	993,975
Adjustments for depletion and other non-cash related items	766,217	464,453	679,365	324,058	1,436,152
Changes in working capital	263,459	456,771	-218,926	12,349	111,217
<b>Total cash flow from operations</b>	<b>1,531,814</b>	1,003,853	926,515	552,442	2,541,344
<b>Cash flow used for investments</b>					
Investment in subsidiary assets	-	-	-	-	-236
Sale of assets/investments	-	-	-	-	192,122
Investment/divestment of real estate	-11,693	-3,123	-	-	-40,190
Change in other financial fixed assets	-41,634	-40,051	-12,836	16,380	16,850
Other payments	-19,970	-19,650	-13,451	-13,149	-13,419
Investment in oil and gas properties	-1,065,281	-667,001	-687,320	-383,521	-1,852,415
Investment in other fixed assets	-7,756	-4,551	-24,011	-17,652	-16,137
<b>Total cash flow used for investments</b>	<b>-1,146,334</b>	-734,376	-737,618	-397,942	-1,713,425
<b>Cash flow used for financing</b>					
Changes in long-term bank loan	-417,277	-378,378	-268,544	-251,249	-822,240
Proceeds from share issues	24,532	19,363	26,165	18,946	59,275
<b>Total cash flow used for financing</b>	<b>-392,745</b>	-359,015	-242,379	-232,303	-762,965
Change in cash and bank	-7,265	-89,538	-53,482	-77,803	64,954
Cash and bank at the beginning of the period	389,415	463,921	268,377	310,755	268,377
Currency exchange difference in cash and bank	-32,190	-24,423	39,613	21,556	56,084
<b>Cash and bank at the end of the period</b>	<b>349,960</b>	349,960	254,508	254,508	389,415

## Statement of changes in equity

Expressed in TSEK	Share capital	Additional paid-in-capital/ Other reserves*	Retained earnings	Net profit	Minority interest	Total Equity
<b>Balance at 1 January 2005</b>	<b>2,537</b>	<b>830,630</b>	<b>837,676</b>	<b>598,245</b>	<b>2,931</b>	<b>2,272,019</b>
Transfer of prior year net profit	-	-	598,245	-598,245	-	-
Currency translation difference	-	253,695	-	-	33	253,728
Change in hedge reserve	-	-193,494	-	-	-	-193,494
<b>Income and expenses recognised directly in equity</b>	<b>-</b>	<b>60,201</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>60,234</b>
Net profit	-	-	-	465,851	225	466,076
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>60,201</b>	<b>-</b>	<b>465,851</b>	<b>258</b>	<b>526,310</b>
Issuance of shares	20	26,145	-	-	-	26,165
Share based payments	-	-	6,528	-	-	6,528
Investments	-	-	-	-	-807	-807
<b>Balance at 30 June 2005</b>	<b>2,557</b>	<b>916,976</b>	<b>1,442,449</b>	<b>465,851</b>	<b>2,382</b>	<b>2,830,215</b>
Transfer of hedge reserve	-	98,194	-98,194	-	-	-
Currency translation difference	-	47,892	-	-	498	48,390
Change in hedge reserve	-	131,563	-	-	-	131,563
Change in fair value	-	99,109	-	-	-	99,109
<b>Income and expenses recognised directly in equity</b>	<b>-</b>	<b>278,564</b>	<b>-</b>	<b>-</b>	<b>498</b>	<b>279,062</b>
Net profit	-	-	-	527,656	243	527,899
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>278,564</b>	<b>-</b>	<b>527,656</b>	<b>741</b>	<b>806,961</b>
Issuance of shares	14	33,096	-	-	-	33,110
Transfer of share based payments	-	6,575	-6,575	-	-	-
Share based payments	-	-	12,453	-	-	12,453
Investments	-	-	-	-	-73	-73
<b>Balance at 31 December 2005</b>	<b>2,571</b>	<b>1,333,405</b>	<b>1,350,133</b>	<b>993,507</b>	<b>3,050</b>	<b>3,682,666</b>
Transfer of prior year net profit	-	-	993,507	-993,507	-	-
Currency translation difference	-	-250,793	-	-	116	-250,677
Change in hedge reserve	-	-67,647	-	-	-	-67,647
Fair value adjustment	-	4,906	-	-	-	4,906
<b>Income and expenses recognised directly in equity</b>	<b>-</b>	<b>-313,534</b>	<b>-</b>	<b>-</b>	<b>116</b>	<b>-313,418</b>
Net profit	-	-	-	501,242	896	502,138
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>-313,534</b>	<b>-</b>	<b>501,242</b>	<b>1,012</b>	<b>188,720</b>
Issuance of shares	9	24,523	-	-	-	24,532
Transfer of share based payments	-	3,366	-3,366	-	-	-
Share based payments	-	-	10,802	-	-	10,802
<b>Balance at 30 June 2006</b>	<b>2,580</b>	<b>1,047,760</b>	<b>2,351,076</b>	<b>501,242</b>	<b>4,062</b>	<b>3,906,720</b>

\* Other reserves comprises available-for-sale reserve, hedge reserve and currency translation reserve.

<b>Note 1. Segmental information,</b> TSEK	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
<b>Net sales of:</b>					
Crude oil					
- United Kingdom	1,573,456	752,268	1,327,448	722,318	2,908,682
- France	315,269	125,136	284,851	144,477	629,842
- Norway	68,895	35,814	69,315	41,913	140,713
- Indonesia	90,481	54,546	88,496	45,202	179,673
- Tunisia	58,651	32,153	28,317	206	153,751
	<b>2,106,752</b>	999,917	1,798,427	954,116	4,012,661
Condensate					
- United Kingdom	22,306	8,135	19,608	8,539	36,527
- Netherlands	2,961	2,414	1,680	615	3,467
- Indonesia	168	59	547	547	1,234
	<b>25,435</b>	10,608	21,835	9,701	41,228
Gas					
- Norway	219	84	726	373	1,746
- Netherlands	149,946	71,792	114,004	54,594	229,617
- Indonesia	534	223	655	270	1,328
- Ireland	-	-	5,671	1,329	5,776
	<b>150,699</b>	72,099	121,056	56,566	238,467
Service fee					
- Venezuela	25,409	-669	69,998	41,893	127,408
Oil price hedging settlement	-115,452	-84,333	-107,312	-68,999	-424,287
	<b>2,192,843</b>	997,622	1,904,004	993,277	3,995,477
<b>Operating profit contribution</b>					
- United Kingdom	813,888	312,460	615,374	305,826	1,397,827
- France	213,729	95,412	126,706	58,277	277,100
- Norway	34,387	16,989	42,633	22,506	267,559
- Netherlands	74,893	41,013	54,160	22,867	62,206
- Venezuela	-13,713	-18,952	35,688	21,974	57,146
- Indonesia	57,377	15,149	46,942	23,498	119,655
- Tunisia	-4,370	-26,908	12,145	-7,394	57,899
- Ireland	-	-	3,813	1,668	4,222
- Nigeria	-	-	-	-	-158,174
- Iran	-	-	-4,170	364	-6,078
- Other	-34,722	-12,892	-37,829	-18,228	-66,204
<b>Total operating profit contribution</b>	<b>1,141,469</b>	422,271	895,462	431,358	2,013,158

## Notes

<b>Note 2. Production costs</b> TSEK	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
Cost of operations	597,881	314,197	560,391	305,311	1,107,591
Tariff and transportation expenses	68,416	27,179	73,425	33,925	133,492
Direct production taxes	16,080	7,913	16,047	8,676	35,805
Changes in inventory/ overlift position	-14,545	37,917	1,537	34,505	34,017
	<b>667,832</b>	<b>387,206</b>	<b>651,400</b>	<b>382,417</b>	<b>1,310,905</b>
<b>Note 3. Depletion of oil and gas properties,</b> TSEK	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
United Kingdom	237,723	101,781	261,783	130,889	508,519
France	30,402	12,625	32,568	16,074	67,651
Norway	13,611	5,983	13,534	6,541	26,663
Netherlands	35,158	16,614	37,862	17,984	70,834
Indonesia	12,680	9,070	8,427	4,220	16,192
Tunisia	44,233	39,830	10,630	4,942	18,831
Venezuela	31,394	18,225	23,248	13,122	44,738
	<b>405,201</b>	<b>204,128</b>	<b>388,052</b>	<b>193,772</b>	<b>753,428</b>
<b>Note 4. Financial income,</b> TSEK	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
Interest income	14,445	6,755	8,964	5,533	31,195
Dividends received	6,495	3,110	6,689	3,241	12,817
Other financial income	2,196	2,196	-	-	-
Foreign exchange gain, net	66,449	34,556	-	-	-
	<b>89,585</b>	<b>46,617</b>	<b>15,653</b>	<b>8,774</b>	<b>44,012</b>
<b>Note 5. Financial expenses,</b> TSEK	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
Loan interest expenses	18,338	8,694	27,392	13,093	45,003
Change in market value interest rate hedge	232	947	-4,292	1,363	-7,949
Unwind site restoration discount	13,737	8,772	8,309	4,499	17,082
Amortisation of deferred financing fees	9,396	4,688	6,908	3,283	15,182
Foreign exchange loss, net	-	-	78,433	44,347	121,971
Other financial expenses	5,646	1,622	2,328	1,395	5,172
	<b>47,349</b>	<b>24,723</b>	<b>119,078</b>	<b>67,980</b>	<b>196,461</b>



<b>Note 6. Tax,</b> TSEK	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
Current corporation tax	384,059	138,532	52,153	33,317	240,653
Deferred corporation tax	260,454	201,946	260,685	107,426	647,131
Current petroleum tax	18,371	12,293	14,452	9,586	11,270
Deferred petroleum tax	18,683	8,765	-1,329	5,788	-32,320
	<b>681,567</b>	361,536	325,961	156,117	866,734

<b>Note 7. Oil and gas properties,</b> TSEK	<b>Book amount 30 Jun 2006</b>	Book amount 31 Dec 2005
United Kingdom	2,348,322	2,560,154
France	835,427	844,738
Norway	1,510,645	1,237,580
Netherlands	455,152	470,630
Venezuela	173,028	219,183
Indonesia	230,052	232,339
Tunisia	383,252	99,085
Ireland	4,390	2,622
Sudan	61,310	28,865
Albania	30,577	30,269
Others	68,913	7,406
	<b>6,101,068</b>	5,732,871

<b>Note 8. Financial fixed assets,</b> TSEK	<b>Book amount 30 Jun 2006</b>	Book amount 31 Dec 2005
Shares and participations	155,986	151,928
Restricted cash	19,735	23,827
Deferred financing fees	9,295	18,905
Deferred tax asset	364,739	297,788
Derivative instrument	–	1,825
Other financial fixed assets	10,279	8,201
	<b>560,034</b>	502,474

## Notes

<b>Note 9. Current receivables and inventories,</b> TSEK	<b>Book amount</b> <b>30 Jun 2006</b>	Book amount 31 Dec 2005
Inventories	95,434	99,943
Trade receivables	513,352	523,315
Underlift	91,019	49,482
Corporation tax	107,914	117,283
Joint venture debtors	183,624	180,989
Derivative instruments	25,287	13,430
Other current assets	45,976	59,035
	<b>1,062,606</b>	<b>1,043,477</b>

<b>Note 10. Provisions,</b> TSEK	<b>Book amount</b> <b>30 Jun 2006</b>	Book amount 31 Dec 2005
Site restoration	396,830	329,173
Pension	12,876	13,810
Deferred taxes	1,937,659	1,735,058
Other	11,786	9,209
	<b>2,359,151</b>	<b>2,087,250</b>

<b>Note 11. Current liabilities,</b> TSEK	<b>Book amount</b> <b>30 Jun 2006</b>	Book amount 31 Dec 2005
Trade payables	123,354	135,394
Overlift	128,269	67,911
Tax payables	377,579	117,691
Accrued expenses	301,023	298,124
Acquisition liabilities	37,998	38,615
Derivative instruments	244,447	193,777
Joint venture creditors	404,017	389,896
Other current liabilities	19,578	14,898
	<b>1,636,265</b>	<b>1,256,306</b>

**PARENT COMPANY INCOME STATEMENT IN SUMMARY**

Expressed in TSEK	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
Service income	20,091	11,913	6,218	3,650	18,776
<b>Gross profit</b>	<b>20,091</b>	11,913	6,218	3,650	18,776
General and administrative expenses	-28,983	-14,730	-23,068	-14,404	-52,141
<b>Operating loss</b>	<b>-8,892</b>	-2,817	-16,850	-10,754	-33,365
Financial income	18,502	9,351	18,933	10,213	39,846
Financial expenses	-1,933	-1,341	-	166	-216
<b>Net profit before tax</b>	<b>7,677</b>	5,193	2,083	-375	6,265
Tax	-	-	-	-	-
<b>Net profit</b>	<b>7,677</b>	5,193	2,083	-375	6,265

**PARENT COMPANY BALANCE SHEET IN SUMMARY**

Expressed in TSEK	<b>30 Jun 2006</b>	31 Dec 2005
<b>ASSETS</b>		
Financial fixed assets	886,700	875,237
<b>Total fixed assets</b>	<b>886,700</b>	875,237
<b>Current Assets</b>		
Current receivables	14,735	11,136
Cash and bank	19,282	10,856
<b>Total current assets</b>	<b>34,017</b>	21,992
<b>Total assets</b>	<b>920,717</b>	897,229
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity including net profit for the period	918,258	893,260
Current liabilities	2,459	3,969
<b>Total shareholders' equity and liabilities</b>	<b>920,717</b>	897,229
Pledged assets	1,114,692	1,128,763
Contingent liabilities	-	-

**PARENT COMPANY CASH FLOW STATEMENT IN SUMMARY**

Expressed in TSEK	1 Jan 2006- 30 Jun 2006 6 months	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
<b>Cash flow from operations</b>					
Net profit	7,677	5,193	2,083	-375	6,265
Adjustment for non cash related items	9,382	4,381	5,394	213	16,780
Changes in working capital	-5,364	-1,128	-5,157	-423	-9,063
<b>Total cash flow from operations</b>	<b>11,695</b>	<b>8,446</b>	<b>2,320</b>	<b>-585</b>	<b>13,982</b>
Changes in loans to subsidiary companies	-28,745	-14,450	-17,958	-6,863	-72,911
Investment in subsidiaries	-149	-	-	-	-
<b>Total cash flow used for investments</b>	<b>-28,894</b>	<b>-14,450</b>	<b>-17,958</b>	<b>-6,863</b>	<b>-72,911</b>
Proceeds from share issue	24,532	19,363	26,163	18,944	59,275
<b>Total cash flow from financing</b>	<b>24,532</b>	<b>19,363</b>	<b>26,163</b>	<b>18,944</b>	<b>59,275</b>
Change in cash and bank	7,333	13,359	10,525	11,496	346
Cash and bank at the beginning of the period	10,856	5,057	10,289	8,402	10,289
Currency exchange difference bank	1,093	866	-280	636	221
<b>Cash and bank at the end of the period</b>	<b>19,282</b>	<b>19,282</b>	<b>20,534</b>	<b>20,534</b>	<b>10,856</b>

**STATEMENT OF CHANGES IN PARENT COMPANY EQUITY**

	Restricted equity		Unrestricted equity			Total equity
	Share capital	Statutory reserve	Other reserves*	Retained Earnings	Net profit	
Balance at 1 January 2005	2,537	824,163	-	10,712	-28,673	808,739
Transfer of prior year net profit	-	-28,673	-	-	28,673	-
New share issuance	20	26,145	-	-	-	26,165
Share based payments	-	-	-	6,528	-	6,528
Net profit	-	-	-	-	2,083	2,083
<b>Balance at 30 June 2005</b>	<b>2,557</b>	<b>821,635</b>		<b>17,240</b>	<b>2,083</b>	<b>843,515</b>
New share issuance	14	33,096	-	-	-	33,110
Transfer of share based payments	-	6,575	-	-6,575	-	-
Share based payments	-	-	-	12,453	-	12,453
Net profit	-	-	-	-	4,182	4,182
<b>Balance at 31 December 2005</b>	<b>2,571</b>	<b>861,306</b>		<b>23,118</b>	<b>6,265</b>	<b>893,260</b>
Transfer of prior year net profit	-	-	-	6,265	-6,265	-
New share issuance	9	-	24,523	-	-	24,532
Transfer of share based payments	-	-	3,366	-3,366	-	-
Share based payments	-	-	-	10,802	-	10,802
Currency translation reserve	-	-	-18,013	-	-	-18,013
Net profit	-	-	-	-	7,677	7,677
<b>Balance at 30 June 2006</b>	<b>2,580</b>	<b>861,306</b>	<b>9,876</b>	<b>36,819</b>	<b>7,677</b>	<b>918,258</b>

\* Other reserves comprises fair value reserve and share premium reserve.

## Key financial data

<b>Data per share</b>	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
Shareholders' equity SEK per share <sup>1</sup>	15.14	15.14	11.07	11.07	14.32
Operating cash flow SEK per share <sup>2</sup>	4.76	2.00	4.98	2.39	10.22
Cash flow from operations SEK per share <sup>3</sup>	5.92	3.87	3.62	2.15	9.89
Earnings SEK per share <sup>4</sup>	1.95	0.32	1.83	0.85	3.89
Earnings SEK per share fully diluted <sup>5</sup>	1.94	0.32	1.82	0.84	3.87
Dividend per share	-	-	-	-	-
Quoted price at the end of the financial period (regards the parent company), SEK	87.25	87.25	67.00	67.00	85.00
Number of shares at period end	258,061,166	258,061,166	255,727,166	255,727,166	257,140,166
Weighted average number of shares for the period <sup>6</sup>	257,570,912	257,816,037	254,782,507	255,192,669	255,685,730
Weighted average number of shares for the period (fully diluted) <sup>6</sup>	258,847,614	259,092,739	256,135,208	256,689,633	256,974,123

  

<b>Key data group</b>	<b>1 Jan 2006- 30 Jun 2006 6 months</b>	1 Apr 2006- 30 Jun 2006 3 months	1 Jan 2005- 30 Jun 2005 6 months	1 Apr 2005- 30 Jun 2005 3 months	1 Jan 2005- 31 Dec 2005 12 months
Return on equity, % <sup>7</sup>	13	2	18	8	33
Return on capital employed, % <sup>8</sup>	25	9	22	9	49
Debt/equity ratio, % <sup>9</sup>	-2	-2	36	36	9
Equity ratio, % <sup>10</sup>	48	48	41	41	47
Share of risk capital, % <sup>11</sup>	71	71	60	60	70
Interest coverage ratio, % <sup>12</sup>	5,108	3,722	3,209	3,431	4,231
Operating cash flow/interest ratio <sup>13</sup>	5,210	4,232	5,004	5,491	5,833
Yield <sup>14</sup>	-	-	-	-	-

- 1 the Group's shareholders' equity divided by the number of shares at period end.
- 2 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 from operations in accordance with the consolidated statement of cash flow divided by the weighted average number of shares for the period.
- 4 the Group's net profit divided by the weighted average number of shares for the period.
- 5 the Group's net profit divided by the weighted average number of shares for the period after considering the dilution effect of outstanding warrants.
- 6 the number of shares at the beginning of the year with new issue of shares weighted for the proportion of the period they are in issue.
- 7 the Group's net profit divided by the Group's average total equity.

- 8 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).
- 9 the Group's interest bearing liabilities in relation to shareholders' equity.
- 10 the Group's total equity in relation to balance sheet total.
- 11 the sum of the total equity and the deferred tax provision divided by the balance sheet total.
- 12 the Group's profit after financial items plus interest expenses plus/less exchange differences on financial loans divided by interest expenses.
- 13 the Group's operating income less production costs and less current taxes divided by the interest charge for the period.
- 14 dividend in relation to quoted share price at the end of the financial period.

## Subsequent events and financial information

On 12 July 2006, an agreement was completed between Lundin Petroleum and its partners and the Venezuelan national oil company Petróleo de Venezuela S.A. (PDVSA) in connection with the conversion of the Colon Unit Operating Services Agreement (Lundin Petroleum 12.5% working interest) into a joint venture company with direct participation by PDVSA. Under the terms of the agreement, Lundin Petroleum holds a 5% equity interest in the new joint venture company. This new arrangement was effective from 1 April 2006.

Lundin Petroleum completed the acquisition of 100% of Valkyries Petroleum Corp. ("Valkyries") effective from 31 July 2006. The acquired assets include a growth oriented production, development and exploration portfolio of oil and gas projects in Russia. Key projects include a 50% interest in the producing Sotchemyu-Talyu and North Israel Fields in the Komi Republic; a 51% interest in the producing Caspian Field in the Kalmykia Republic; a 50% interest in the producing Ashirovskoye field in Orenburg; and a 70% interest in the highly prospective Lagansky exploration block offshore in the Caspian Sea. Final preparations are underway for the drilling of the Morskoye #1 exploration well in the Lagansky Block and drilling operations are expected to commence in the third quarter of 2006.

The former shareholders of Valkyries will receive one Lundin Petroleum share for each Valkyries common share held. Lundin Petroleum will issue approximately 55.8 million new shares to the former shareholders of Valkyries. The closing price of Lundin Petroleum on 31 July 2006, the price at which the acquisition will be valued, was SEK 88.50.

In addition, a further approximately 1.8 million Lundin Petroleum shares have been reserved for issuance as follows:

- 1 million Lundin Petroleum shares to be issued to the previous holder of Valkyries' interest in the Caspian Field, upon the Caspian Field producing 2,500 barrels of oil per day (bopd) for a continuous period of thirty days; and
- approximately 800,000 Lundin Petroleum shares to be issued upon exercise of incentive stock options previously granted by Valkyries.

Valkyries will be fully consolidated within the Lundin Petroleum group from 1 August 2006.

Following the completion of the acquisition, Valkyries has delisted from the Toronto Stock Exchange and has applied to cease to be a reporting issuer in Canada. As such Valkyries will not produce financial statements for 30 June 2006. The latest financial information currently available is the financial report prepared for the period ended 31 March 2006. On a preliminary basis, using the 31 March 2006 financial statements, the estimated purchase price has been allocated to the fair value of the net assets of Valkyries in TSEK as follows:

Working capital	224,207
Oil and gas properties	5,603,981
Other tangible fixed assets	23,356
Goodwill	719,945
Non-current liabilities	-151,823
Deferred taxes	-1,272,786
	<u>5,146,880</u>

Subsequent to 30 June 2006, Lundin Petroleum entered into an agreement to acquire from Total an interest in the undeveloped Peik gas/condensate field located in the United Kingdom and the Norwegian North Sea. The acquisition includes the following blocks:

- 50% of NCS Block 24/6a, operated by Total, which includes the Peik Field.
- 33.3% of UK Block 9/15a, operated by Total, which includes the Peik Field.
- 85% of UK Block 9/10b, western part, operated by Total.

The total cash consideration for the acquisition is USD 45 million.

### FINANCIAL INFORMATION

The Company will publish the following reports:

- The nine months report (January – September 2006) will be published on 15th November 2006
- The year end report 2006 will be published during February 2007

Stockholm 16th August 2006

C. Ashley Heppenstall  
President & CEO

To the Board of Directors of Lundin Petroleum AB (publ), 556610-8055

### Introduction

We have reviewed the interim report for the period 1 January 2006 – 30 June 2006 of Lundin Petroleum AB. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with Swedish Standard on Review Engagements SÖG 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by FAR ("the Institute for the Accountancy Profession in Sweden") A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information, in the report for the six months ended 30 June 2006, is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act.

Stockholm 16 August 2006

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Klas Brand  
Authorised Public Accountant  
PricewaterhouseCoopers AB

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Bo Hjalmarsson  
Authorised Public Accountant  
PricewaterhouseCoopers AB

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