

### Lundin Petroleum AB (publ)

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The New Market at Stockholmsbörsen: **LUPE**

**14 August 2003**

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### **REPORT FOR THE FIRST SIX MONTH 2003**

- Production of 16,034 boepd
- Operating cash flow of SEK 321.5 million (USD 38.7 million)
- Net profit of SEK 885.3 million (USD 106.6 million)
- Sale of Sudan Block 5A for USD 142.5 million (SEK 1,184.0 million)

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**Listen to President & CEO Ashley Heppenstall's comments on this report.  
Telephone Conference 14 August 2003 at 16:30 CET.  
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*Lundin Petroleum is a Swedish independent oil and gas exploration and production company with a well balanced portfolio of world-class assets in France, Indonesia, Iran, Netherlands, Norway, Sudan, Tunisia and Venezuela. The Company's shares are traded on the New Market at Stockholmsbörsen, Sweden (ticker "LUPE").*

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Dear fellow Shareholders,

I am very pleased to be able to present to you a strong financial performance for the first half of 2003. This performance has resulted in a significant increase in the value of Lundin Petroleum.

It is clear that our joint exploration and asset acquisition strategy is working and delivering good returns on our investment. The financial results for the first half of the year clearly show the benefits of the Coparex acquisition through healthy operating cash flow and profit. However, the majority of the profit for the period resulted from the sale of our 40.375% interest in Block 5A Sudan resulting in a profit of MSEK 725 (MUSD 87.2).

#### **Sale of Sudan 5A**

During the period we sold our 40.375% working interest in Block 5A, onshore Sudan to Petronas Carigali Overseas Sdn Bhd for MUSD 142.5 cash. As I have mentioned previously the deal not only put value on the undeveloped reserves but a significant premium on the exploration potential of the area.

This deal is a demonstration of how value can be created in cash terms through successful exploration. The exploration business requires both vision and the willingness to take a long term view. Oil companies in general are prepared to pay a significant premium for oil and gas reserves particularly with upside exploration potential. We intend to maintain our long term exploration strategy which we believe will continue to enhance the value of the company.

#### **Exploration**

Our exploration drilling work program has been limited during the first half of the year. We have been focusing particularly on seismic acquisition and technical studies which will now lead to more drilling activity in the second half.

- In the Paris Basin we are currently drilling the Val de Marais prospect which has the potential to double our Paris Basin reserves. The prospect is very close to existing fields and infrastructure and if successful could be brought on stream quickly.
- In Iran preparations for the commencement of drilling on the Munir Block are well advanced. Two major structures have been identified from the seismic and each will be drilled during the forthcoming drilling campaign. There has been little exploration drilling in Iran over the past 20 years. Our acreage is part of a proven hydrocarbon system with major producing fields nearby. Our drillable prospects are large with the potential for major discoveries which, I believe, if successful, will have a material impact on the value of the Company.
- In the Lematang Block, South Sumatra, Indonesia it is likely that Banteng, a large gas prospect with most likely gas reserves of over 500 bcf will be drilled later in 2003.

#### **Financial Position**

Following the sale of Sudan 5A our balance sheet is now very strong. We have no debt and strong cash balances. We have continued support from our bankers through undrawn borrowing lines. Essentially we have the financial capacity to fund major acquisitions and/or investment programs with no dilution to shareholders. This will in my opinion provide the "Springboard" for the next phase of growth for the Company.

During the first six months of the year our financial performance was ahead of forecast. Our production was slightly below forecast at 16,034 boepd predominantly due to shortfalls in the Netherlands where we experienced reduced gas demand and in Venezuela in the early part of the year due to the political strikes. This was offset by stronger production offshore Tunisia. Oil prices averaged over USD 27.00 per bbl for the period. As a result we generated operating cash flow of MSEK 321.5 (MUSD 38.7) and net profit of MSEK 885.3 (MUSD 106.6).

## **The Future**

Oil prices remain strong and we expect this to continue. In the aftermath of the Iraq conflict it is proving much more difficult than anticipated by the market to restore Iraqi production. I expect this position to continue with any material impact from Iraq production stretching well into 2004 and beyond.

In the meantime there are positive signs that world economic activity is recovering and that this will have a positive impact on the demand for petroleum products. Nevertheless OPEC continues to stabilise the market as it has done for the last few years through its policy of balancing supply according to demand. OPEC has a strong incentive for this to continue and I expect them to ensure that oil prices remain in the USD 22 – 28 price band for the foreseeable future.

We continue to review a number of acquisition opportunities. We review all opportunities stringently from a technical perspective and then apply disciplined economic assumptions in our analysis. This acquisition investment strategy will dictate the next phase of growth for the Company and therefore we will only invest if the deal is right.

Finally I would like to say a few words about our Honorary Chairman Adolf Lundin. Adolf has an amazing vision in terms of the “big picture” of our industry. He has translated that into Lundin Petroleum which is a vehicle which has and will continue to create value to shareholders through investment in exploration around the world. Adolf earlier in the year was diagnosed with acute leukemia. He has undergone extensive treatment and is currently recuperating. I am sure all our shareholders will join me and our staff in wishing Adolf a speedy recovery.

Yours sincerely,

Ashley Heppenstall

## **OPERATIONS**

### **Iran**

Following the completion of a 537 km 2D seismic program in January 2003 the first half of 2003 has seen the completion of the processing and interpretation of the acquired seismic data. The preparation for drilling operations are now well under way with the first exploratory well (Seh Qanat deep) due to spud in the fourth quarter of 2003. Seismic interpretation results have identified several drilling prospects, including two well defined large four way dip closures the second of which will be drilled in early 2004 on completion of the first exploration well. The Iranian exploration prospects have the potential to contain recoverable reserves in excess of one billion barrels.

### **Sudan**

Lundin Petroleum's 40.375% interest in Block 5A was sold to Petronas Carigali Overseas Sdn Bhd for a total value of MUS\$ 142.5 (MSEK 1,184.0) during the period.

Lundin Petroleum has retained its 24.5% working interest in Block 5B, located just south of Block 5A and on trend with existing discoveries in the Muglad Basin. Technical studies are ongoing and several large prospects have already been identified. Operations on the field will commence when security conditions permit.

### **France**

During the first half of 2003 a new development well was successfully completed on the Courgivaux concession in the Paris Basin. New facilities on the field are currently being installed which will result in enhanced production in the Paris Basin during the third quarter of 2003.

In the Aquitaine Basin the Les Pins 5 development well was successfully spudded in July and is expected to complete during the third quarter of 2003.

Exploration drilling recommenced in the Paris Basin with the spudding of the Val des Marais exploration well in July 2003. Completion of the well is expected during the third quarter of 2003.

### **The Netherlands**

During the first half of 2003 the Groot-Wyngarden exploration well was plugged and abandoned as non-commercial. Various programs including development drilling to enhance existing production are ongoing and will continue.

The production in the Netherlands during the second quarter was below budget due not only to seasonal demand but due to reduced off-take by the state controlled buyer Gasunie. Lundin Petroleum has been advised by government representatives that the reduced off-take is short term and that demand will be restored to our production capacity in line with Dutch "small fields" policy where Gasunie purchase all gas production.

### **Tunisia**

During the first half of 2003 significant field optimisation was completed on the Isis field to maintain gross production well above budget at 6,000 bopd. Isis field technical studies including the option to drill further development wells continue.

In addition a preliminary development plan has been completed for the Oudna field offshore, Tunisia. Technical studies continue with the objective of the finalisation of a full development plan. Initial indications are positive and that the development is economically viable.

A new production licence area ("Zelfa" production licence) has been submitted to the government for final approval. This new production area consists of two existing offshore discoveries of small size and further exploration potential.

## **Indonesia**

*Banyumas (Java)*: A new 490 km seismic programme has been successfully completed. Processing of the newly acquired seismic is ongoing.

*Blora (Java)*: a 50 km 2D seismic programme was successfully completed. Processing is ongoing.

*Lematang (South Sumatra)*: Negotiations continue in relation to the completion of a gas sales agreement which will enable the development of the Singa gas discovery.

*Salawati Island & Basin (Papua)*: a 12 well infill development well program in Salawati Basin and further development drilling in Salawati Island (Matoa field) is ongoing. In parallel, during the second quarter of this year, 3D seismic acquisition started in the Salawati Island with over 70% of the programme completed. Three separate 3D seismic programs will be acquired this year and in the beginning of next year in the Salawati Island and Basin.

A minority interest in Salawati Island and Basin was purchased from American Energy and Ross Energy bringing Lundin's new working interest to 25.936% (Salawati Basin) and 14.409% (Salawati Island).

## **Venezuela**

The political disturbances during the early part of 2003 directly affected our operations in Venezuela. Lundin Petroleum lost approximately one month of production during December 2002/January 2003 and the planned development drilling program was delayed.

The development drilling program has now commenced with the drilling of the "La Palma-8" well. It is anticipated that gross oil production from the Colon Unit will reach the 20,000 bopd gross pipeline capacity on completion of this development well. A further development well "La Palma 9" will be drilled after the first well.

## **Albania**

The Albanian work program for 2003 planned the drilling of an exploration well on Block D&E. However, as a result of the acquisition of partner Preussag by OMV, discussions have taken place with OMV regarding alternative exploration drilling programs.

As a result, agreement has been reached with Preussag/OMV whereby exploration drilling on Block D&E will be suspended until the remaining well commitment is potentially transferred to a new area in Albania. Such transfer will require various government approvals. The agreement with Preussag/OMV includes a cash settlement payable to Lundin Petroleum and a carry of certain costs in any new venture with OMV in Albania.

## **Norway**

A new development well (A-10) in the Njord field was successfully completed at high initial production rates which are expected to increase our Norway production rates. During the first half of 2003 total production was slightly below expectation due to longer than expected planned maintenance and shut downs.

## **RESULT AND CASH FLOW**

The results for the consolidated financial statements of Lundin Petroleum AB (Lundin Petroleum or the Group) are presented for the half year ended 30 June 2003. Lundin Petroleum acquired Lundin International S.A. (formerly Coparex International S.A.) and subsidiaries on 19 September 2002. The results of these companies are included in the consolidated results only from the date of acquisition, and hence are not included within the comparative results. The amounts relating to the comparative period are shown in parenthesis after the amount for the current period.

## **The Group**

Lundin Petroleum reports a profit for the first half year of 2003 of MSEK 885.3 (MSEK-70.9) and MSEK 789.7 (MSEK -49.2) for the second quarter of 2003 representing earnings per share on a fully diluted basis of SEK 3.52 (SEK -0.33) for the first half year of 2003 and SEK 3.14 (SEK -0.22) for the second quarter of 2003. Operating cashflow for the first half of 2003 amounted to MSEK 321.5 (MSEK 1.5) and MSEK 160.4 (MSEK 0.0) for the second quarter of 2003. Operating cashflow, which does not include the gain on the sale of Sudan Block 5A, amounted to SEK 1.29 (SEK 0.00) per share for the first half year 2003 and SEK 0.64 (SEK 0.00) per share for the second quarter of 2003.

Net sales of oil and gas for the half year ended 30 June 2003 amounted to MSEK 580.8 (MSEK nil) and MSEK 239.5 (MSEK nil) for the second quarter of 2003. Production for the half year ended 30 June 2003 amounted to 2,832,322 barrels of oil equivalent (boe) representing 16,034 boe per day (boepd). The average price achieved for a barrel of oil equivalent for the half year ended 30 June 2003 amounted to USD 27.43. Lundin Petroleum has entered in an oil price hedge for 2003 fixing the oil price at USD 24.23 for 2,250 bopd. The average Dated Brent price for the half year amounted to USD 28.77 resulting in a cost under the hedge agreement of MSEK 15.4.

### *France*

Oil sales for the half year ended 30 June 2003 amounted to MSEK 172.5 (MSEK nil) and MSEK 80.3 (MSEK nil) for the second quarter of 2003. Production from France amounted to 757,519 boe or 4,185 boepd for the half year ended 30 June 2003. The average price achieved for the sales amounted to USD 27.06 per barrel for the half year ended 30 June 2003.

### *Netherlands*

Gas sales for the half year ended 30 June 2003 amounted to MSEK 86.1 (MSEK nil) and MSEK 30.2 (MSEK nil) for the second quarter of 2003. Gas production from fields on- and offshore The Netherlands amounted to 417,225 boe or 2,305 boe per day for the half year ended 30 June 2003. The average price achieved for the gas sales was Euro 0.14 per normal cubic meter (Nm<sup>3</sup>) which equates to approximately USD 24.68 per boe for the half year ended 30 June 2003.

### *Tunisia*

Oil sales for the half year ended 30 June 2003 amounted to MSEK 104.1 (MSEK nil) and MSEK 27.2 (MSEK nil) for the second quarter of 2003. Production from onshore Tunisia amounted to 48,327 boe or 267 boe per day. Production from offshore Tunisia amounted to 422,454 boe or 2,334 boe per day. The average price achieved for the sales amounted to USD 28.77 per barrel for the half year ended 30 June 2003.

### *Norway*

Oil sales for the half year ended 30 June 2003 amounted to MSEK 73.5 (MSEK nil) and MSEK 45.8 (MSEK nil) for the second quarter of 2003. Production from Norway amounted to 338,088 boe or 2,254 boepd for the 150 days the assets were owned. The average price achieved for sales amounted to USD 28.11 per barrel for the half year ended 30 June 2003.

### *Indonesia*

Oil sales for the half year ended 30 June 2003 amounted to MSEK 98.7 (MSEK nil) and MSEK 29.1 (MSEK nil) for the second quarter of 2003. Production from Indonesia amounted to 449,604 boe or 2,484 boepd for the half year ended 30 June 2003. The average price achieved for the sales amounted to USD 29.04 per barrel for the half year ended 30 June 2003.

### *Venezuela*

Income from Venezuela relates to an operating fee received based upon production from the Colon block. The fee earned for the half year ended 30 June 2003 amounted to MSEK 53.2 (MSEK nil) and MSEK 32.4 (MSEK nil) for the second quarter of 2003. Production for the half year ended 30 June 2003 amounted to 399,105 boe or 2,205 boepd. An additional part of the fee is for interest on unrecovered capital expenditure which amounted to MSEK 2.2 (MSEK nil) and is included in the financial statements within interest income.

Other operating income for the half year ended 30 June 2003 amounted to MSEK 30.2 (MSEK 1.8) and MSEK 13.5 (MSEK 0.3) for the second quarter of 2003. This amount includes the recovery of past exploration costs in Tunisia, tariff income from France and The Netherlands and income for maintaining strategic inventory levels in France.

Production costs for the half year ended 30 June 2003 amounted to MSEK 221.1 (MSEK nil) and MSEK 69.8 (MSEK nil) for the second quarter of 2003. Costs of operations amounted to MSEK 150.2 (MSEK nil) for the half year ended 30 June 2003 and MSEK 74.1 (MSEK nil) for the second quarter of 2003. Tariff and transportation expenses amounted to MSEK 43.7 (MSEK nil) for the half year ended 30 June 2003 and MSEK 23.0 (MSEK nil) for the second quarter of 2003. Royalty and production taxes are direct cash taxes levied on production. The charge for royalty and direct taxes amounted to MSEK 15.2 (MSEK nil) for the half year ended 30 June 2003 and MSEK 7.0 (MSEK nil) for the second quarter of 2003. Changes in inventory and overlift position relate to the movement of inventories of hydrocarbons and operational supplies and the position of lifting production with partners. An overlift position arises when one partner lifts more than they produce in a period. The change in inventory and overlift position amounted to MSEK 11.9 (MSEK nil) for the half year ended 30 June 2003 and MSEK -34.4 (MSEK nil) for the second quarter of 2003.

During the second quarter of 2003, Lundin sold its interest in Sudan Block 5A to Petronas Carigali Overseas Sdn Bhd for MSEK 1,184.0 or MUSD 142.5 resulting in a profit of MSEK 724.8 or MUSD 87.2 after deducting exchange losses of MSEK 95.2 or MUSD 11.5. The exchange losses recorded relate to the translation to SEK of the USD loans to the single purpose subsidiary that held the Sudan Block 5A asset to fund the exploration expenditure and were repaid upon the sale of the asset.

Other income for the half year ended 30 June 2003 amounted to MSEK 3.7 (MSEK 2.8) and MSEK 2.4 (MSEK 1.5) for the second quarter of 2003 and represents fees and costs recovered by Lundin Petroleum from third parties.

General and administrative expenses for the half year ended 30 June 2003 amounted to MSEK 72.3 (MSEK 24.9) and MSEK 41.5 (MSEK 11.4) for the second quarter of 2003. Restructuring costs incurred in the first quarter of 2003 of MSEK 16.3 related specifically to the redundancy costs associated with the closure of the Paris office. There were other non-recurring costs incurred during the first half of 2003 associated with the acquisition amounting to MSEK 12.1. These costs included the personnel and office costs of the Paris office until its closure in June 2003 and certain fees associated with the reorganisation of the Group structure.

Net financial income and expenses for the half year ended 30 June 2003 amounted to MSEK 14.9 (MSEK -50.3) and MSEK -10.0 (MSEK -39.4) for the second quarter of 2003. Interest income for the half year ended 30 June 2003 amounted to MSEK 5.9 (MSEK 2.9) and MSEK 3.3 (MSEK 1.6) for the second quarter of 2003. Interest expense for the half year ended 30 June 2003 amounted to MSEK 18.2 (MSEK 0.0) and MSEK 9.8 (MSEK nil) for the second quarter of 2003. The cost of the interest rate hedge for the half year ended 30 June 2003 amounted to MSEK 10.9 (MSEK nil) and MSEK 5.6 (MSEK nil) for the second quarter of 2003. Exchange gains and losses for the half year ended 30 June 2003 amounted to MSEK 59.9 (MSEK -53.2) and relate primarily to the revaluation of the USD loan facility into the EUR reporting currency of the entities in which the funds are drawn. The exchange loss for the comparative period primarily relates to the exchange effect of USD held in the Parent Company. The amortisation of loan fees amounted to MSEK 15.9 (MSEK nil) for the half year ended 30 June 2003 and MSEK 15.4 (MSEK nil) for the second quarter of 2003. This amortisation represents the expensing of the entire fees capitalised in respect of the loan facility following the repayment of the loan facility.

The tax charge for the half year ended 30 June 2003 amounted to MSEK 60.6 (MSEK 0.3). The tax charge comprises current corporation tax of MSEK 65.4 (MSEK 0.3) partially offset by a release of deferred tax provision of MSEK 7.8 (MSEK nil) and petroleum taxes payable of MSEK 3.0 (MSEK nil). The tax charge for the second quarter of 2003 amounted to MSEK 19.7 (MSEK 0.2). The release of the deferred tax provision reflects the difference between depletion charged in the consolidated accounts based upon the acquisition price of the assets and the depletion charged in the statutory accounts of the individual entities based upon allowable tax deductions. Petroleum taxes are based upon an estimate of the annual income. A revision of the income in The Netherlands and a reassessment of losses carried forward has resulted in no requirement to accrue a further tax charge in the second quarter of 2003.

#### **Tangible fixed assets**

Tangible fixed assets as at 30 June amounted to MSEK 1,850.0 (MSEK 2,045.6) of which MSEK 1,793.0 (MSEK 1,988.9) relates to oil and gas properties. Development expenditure of MSEK 46.5 (MSEK nil) was incurred for the half year ended 30 June 2003 including France for an amount of MSEK 19.1, the Netherlands for an amount of MSEK 9.3 and Norway for an amount of MSEK 10.3. Exploration expenditure of MSEK 54.2 (MSEK 87.1) for the half year ended 30 June 2003, including the Netherlands for an amount of MSEK 6.2, Indonesia for an amount of MSEK 27.3 and Sudan for an amount of MSEK 12.3 (MSEK 56.8).

#### **Financial fixed assets**

Financial fixed assets as at 30 June 2003 amounted to MSEK 98.0 (MSEK 103.6). Included in financial fixed assets as at 30 June 2003 is an amount of MSEK 61.6 (MSEK 54.2) recorded as restricted cash. This amount comprises MSEK 18.4 (MSEK nil) or MNOK 16.5 representing cash deposited as security for future site restoration costs for fields held offshore Norway and two amounts totaling MSEK 43.2 (MSEK 54.2) representing cash collateralisation of bank guarantees to cover future joint venture work commitments. Shares in associated companies of MSEK 21.7 (MSEK 21.5) relates primarily to an investment in a company owning gas infrastructure in The Netherlands. Deferred financing fees amounted to MSEK nil (MSEK 15.9) as at 30 June 2003. The deferred financing fees related to the term loan and revolving credit facility were being amortised over the period of the loan. As the loan was repaid during the second quarter of 2003 the balance of the loan fees have been expensed. Other financial fixed assets amount to MSEK 14.7 (MSEK 11.9) and represent a loan to an affiliated subsidiary company and funds held by joint venture partners in anticipation of future expenditures.

#### **Current receivables and inventories**

Current receivables and inventories amounted to MSEK 373.1 (MSEK 345.5) as at 30 June 2003. Inventories, including hydrocarbons and consumable well supplies amounted to MSEK 32.8 (MSEK 45.6) as at 30 June 2003. Trade receivables amounted to MSEK 164.0 (MSEK 118.1) as at 30 June 2003. This amount has increased from the end of the last year due to the phasing of the hydrocarbon sales.

#### **Cash and bank**

Cash and bank as at 30 June 2003 amounted to MSEK 356.1 (MSEK 247.8).

#### **Minority interest**

Minority interest amounts to MSEK 13.0 (MSEK 2.5) as at 30 June 2003. The minority interest as at 30 June 2003 represents the portion of fully consolidated subsidiaries not owned by Lundin Petroleum. Lundin Petroleum owns 75.8% of OER Oil AS and 99.8% of Lundin International SA.

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

As at 30 June 2003, provisions amounted to MSEK 385.5 (MSEK 326.1). This amount includes a provision for site restoration of MSEK 115.6 (MSEK 58.4) and a provision for deferred tax of MSEK 263.0 (MSEK 261.7). The increase in provision for site restoration is due to the addition of a site restoration provision for Norway.



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

Long term interest bearing debt amounted to MSEK nil (MSEK 1,067.2) as at 30 June 2003. Lundin Petroleum entered into a seven-year term and revolving credit facility agreement to borrow up to MUSD 130 (MSEK 1,106) during 2002. An amount of MUSD 124 (MSEK 1,085) was drawn under this facility on the acquisition of Lundin International SA. An amount of MUSD 2.1 (MSEK 18.4) was repaid on 31 December 2002 and the facility was repaid in full during June 2003. The lease on the Paris property was cancelled and the property was purchased with effect 30 June 2003.

### **Current liabilities**

Current liabilities as at 30 June 2003 amount to MSEK 441.6 (MSEK 415.5). Included within current liabilities is MSEK 40.3 (MSEK 85.9) representing trade payables and MSEK 160.3 (MSEK 92.5) of current tax payables. The acquisition liability relates to an accrual of MSEK 71.5 for outstanding consideration for the acquisition of Lundin International SA relating to the portion of the original acquisition price dependent upon the performance of certain offshore Tunisian assets.

### **Parent Company**

The net result for the parent company amounted to MSEK -111.6 (MSEK -68.1) for the half year ended 30 June 2003 and MSEK -118.9 (MSEK -50.1) for the second quarter of 2003.

The loss comprised administrative expenses of MSEK -34.1 (MSEK -20.8) and net financial income and expenses of MSEK -78.9 (MSEK -50.8). Financial income included a gain of MSEK 12.9 recorded on the contribution at market value of the shares of Lundin Holdings BV to Lundin Petroleum BV and interest income of MSEK 14.1 (MSEK nil) derived from loans to subsidiary companies. Financial expenses included an amount of MSEK 106.0 (MSEK -53.2) being net exchange gains and losses. The losses for 2003 principally arise upon the revaluation of loans to subsidiaries for the funding of their operations that have been realised during the second quarter of 2003. The losses for 2002 relate principally to the revaluation of USD currency held by the Parent Company.

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

### **FINANCIAL INSTRUMENTS**

The Group has entered into interest rate hedging contracts commencing on 1 January 2003 to tie the LIBOR based floating rate part of the Company's USD borrowings to a fixed LIBOR rate of interest of 3.49% pa. for a period of four years. The USD borrowings were repaid during the second quarter of 2003 but the interest rate hedging contract continues to remain in place.

As part of its bank financing agreement, the Group entered into oil price hedges for part of its oil production from France.

From 1 January 2003 to 31 December 2003, the Group has entered into oil price hedging contracts of 2,250 bopd (being approximately 15% of the Group's forecast production) fixing the price at USD 24.23 Dated Brent.

The Group has also entered into oil price hedging contracts for the production of 2,000 bopd for the period 1 January 2004 to 31 December 2004 such that in respect of this production the Group will receive USD 18.00 per barrel if the Dated Brent oil price falls below USD 18.00 per barrel and will receive USD 25.15 if the Dated Brent oil price exceeds USD 25.15 per barrel. The Group will receive the market price if Dated Brent trades between these two prices.

### **CHANGES IN THE BOARD**

At the AGM on 23 May 2003 all serving Directors were re-elected with the exception of Alex Schneiter, who did not offer himself for re-election.

## SHARE DATA

Lundin Petroleum AB's registered share capital at 30 June 2003 amounts to SEK 2,490,530.16 represented by 249,053,016 shares of nominal value SEK 0.01 each.

Under the Group incentive program for employees, 3,175,000 incentive warrants with a strike price of SEK 3.37 expiring on 1 May 2004 were issued during 2001. The incentive warrants are exercisable from 1 May 2002. As at 30 June 2003, 1,955,150 remain issued and outstanding.

The 2002 program, approved on 23 May 2002, is for the issue of up to 3,250,000 incentive warrants exercisable during the period 31 May 2003 to 31 May 2005 at a strike price of SEK 4.50. As at 30 June 2003, 2,405,000 incentive warrants remain issued and outstanding following the cancellation of certain incentive warrants resulting from the sale of the Sudan asset and related personnel.

The 2003 program, approved on 23 May 2003, is for the issue of up to 3,400,000 incentive warrants exercisable during the period 31 May 2004 to 31 May 2006 at a strike price of SEK 10.10.

## Exchange rates

For the preparation of the six month financial statements, the following currency exchange rates have been used.

	Period average	Period end
1 EUR equals SEK	9.1625	9.2488
1 USD equals SEK	8.3091	8.0109

## Accounting principals

The Half Year Report of Lundin Petroleum AB (publ) has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations and statements.

## CONSOLIDATED INCOME STATEMENT IN SUMMARY

<i>Expressed in TSEK</i>	Note	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
<b>Operating income</b>						
Net sales of oil and gas	1	580,775	239,483	-	-	284,905
Other operating income		30,182	13,511	1,814	262	10,939
		<b>610,957</b>	252,994	1,814	262	295,844
<b>Cost of sales</b>						
Production costs	2	-221,080	-69,754	-	-	-149,038
Depletion of oil and gas properties	3	-98,270	-47,816	-	-	-53,591
		<b>291,607</b>	135,424	1,814	262	93,215
<b>Gross profit</b>						
Gain on sale of Sudan 5A		724,845	724,845	-	-	-
Other income		3,693	2,366	2,765	1,530	10,247
Administration expenses		-72,307	-41,532	-24,906	-11,380	-75,970
Restructuring costs		-16,263	-	-	-	-20,275
		<b>931,575</b>	821,103	-20,327	-9,588	7,217
<b>Operating result</b>						
Financial income and expenses, net	4	14,932	-10,015	-50,278	-39,428	1,816
		<b>946,507</b>	811,088	-70,605	-49,016	9,033
<b>Result before tax</b>						
Tax	5	-60,602	-19,651	-267	-196	-26,362
Minority interests		-563	-1,711	-	-	765
		<b>885,342</b>	789,726	-70,872	-49,212	-16,564
<b>Net result</b>						
Earnings per share - SEK		3.55	3.17	-0.33	-0.22	-0.07
Diluted earnings per share - SEK		3.52	3.14	-0.33	-0.22	-0.07

## **CONSOLIDATED BALANCE SHEET IN SUMMARY**

<i>Expressed in TSEK</i>	Note	30 June 2003	31 December 2002
<b>ASSETS</b>			
<b>Tangible fixed assets</b>			
Oil and gas properties	6	1,792,973	1,988,933
Other fixed assets		57,003	56,656
<b>Total tangible fixed assets</b>		<b>1,849,976</b>	2,045,589
<b>Financial fixed assets</b>	7	97,988	103,586
<b>Total fixed assets</b>		<b>1,947,964</b>	2,149,175
<b>Current Assets</b>			
Current receivables and inventories	8	373,102	345,480
Cash and bank, short term investments		356,144	247,776
<b>Total current assets</b>		<b>729,246</b>	593,256
<b>Total assets</b>		<b>2,677,210</b>	2,742,431
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity including net result for the period</b>		1,837,121	931,112
<b>Minority interest</b>		12,996	2,525
<b>Provisions and other long-term liabilities</b>		385,473	326,130
<b>Long-term interest bearing debt</b>		-	1,067,177
<b>Current liabilities</b>	9	441,620	415,487
<b>Total shareholders' equity and liabilities</b>		<b>2,677,210</b>	2,742,431
Pledged assets		414,799	247,779
Contingent liabilities		12,618	12,618

## **STATEMENT OF CHANGE IN GROUP EQUITY**

<b>2003</b> <i>Expressed in TSEK</i>	Share Capital	Restricted reserves	Retained earnings	Net result
Balance at 1 January	2,487	930,524	14,665	-16,564
Transfer of prior year net result	-	-	-16,564	16,564
Issuance of shares	4	1,236	-	-
Currency translation difference	-	58,949	-39,522	-
Net result	-	-	-	885,342
Balance at 30 June	<b>2,491</b>	990,709	-41,421	885,342

## **GROUP CASH FLOW STATEMENT IN SUMMARY**

<i>Expressed in TSEK</i>	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
<b>Cash flow from operations</b>					
Net result	885,342	789,726	-70,872	-49,212	-16,564
Adjustment for depletion and other non cash related items	-662,070	-668,043	48,990	37,281	105,589
Changes in working capital	-37,522	-150,676	-12,467	2,991	164,095
<b>Total cash flow from operations</b>	<b>185,750</b>	<b>-28,993</b>	<b>-34,349</b>	<b>-8,940</b>	<b>253,120</b>
Acquisition of shares in subsidiaries	-	-	-	-	-1,213,010
Sale of assets	1,155,549	1,155,549	-	-	-
Change in financial fixed assets	-12,517	-271	162,025	620	158,829
Investment in oil and gas properties	-186,451	-81,054	-86,734	-37,908	-160,836
Investment in other fixed assets	-6,796	-2,467	-8,963	-479	-10,128
<b>Total cash flow used for investments</b>	<b>949,785</b>	<b>1,071,757</b>	<b>66,328</b>	<b>-37,767</b>	<b>-1,225,145</b>
Changes in long-term liabilities	-1,022,808	-1,021,139	-	-	836,805
Paid deferred financing fees	-	-	-	-	-17,774
Proceeds from share issues	1,240	1,240	-	-	160,240
Other financing activities	-	-	-	-	-4,102
<b>Total cash flow from financing</b>	<b>-1,021,568</b>	<b>-1,019,899</b>	<b>-</b>	<b>-</b>	<b>975,169</b>
Change in cash and bank	113,967	22,865	31,979	-46,707	3,144
Cash and bank at the beginning of the period	247,776	341,026	301,519	367,602	301,519
Currency exchange difference in cash and bank	-5,599	-7,747	-52,549	-39,946	-56,887
<b>Cash and bank at the end of the period</b>	<b>356,144</b>	<b>356,144</b>	<b>280,949</b>	<b>280,949</b>	<b>247,776</b>

<b>Note 1. Net sales of oil and gas, TSEK</b>	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
Sale of crude oil					
- France	172,471	80,273	-	-	104,970
- Tunisia	104,107	27,189	-	-	35,962
- Indonesia	98,690	29,119	-	-	70,770
- Norway	73,497	45,837	-	-	-
Sale of condensate					
- Netherlands	2,725	2,725	-	-	873
- Norway	1,420	1,033	-	-	-
Sale of gas					
- Netherlands	86,065	30,176	-	-	58,679
- Indonesia	468	55	-	-	335
- Norway	1,095	636	-	-	-
Operating fee					
- Venezuela	53,221	32,440	-	-	21,667
Oil price hedging settlement	-15,374	-2,977	-	-	-
Change in underlift position	2,390	-7,023	-	-	-8,351
	<b>580,775</b>	<b>239,483</b>	-	-	<b>284,905</b>
<b>Note 2. Production costs, TSEK</b>	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
Costs of operations	150,242	74,140	-	-	116,080
Tariff and transportation expenses	43,682	22,994	-	-	5,084
Royalty and direct taxes	15,227	7,033	-	-	8,162
Changes in inventory/overlift position	11,929	-34,413	-	-	19,712
	<b>221,080</b>	<b>69,754</b>	-	-	<b>149,038</b>
<b>Note 3. Depletion of oil and gas properties, TSEK</b>	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
France	33,420	16,205	-	-	20,108
Netherlands	26,507	9,412	-	-	19,988
Venezuela	9,812	5,227	-	-	4,332
Tunisia	11,393	5,906	-	-	6,475
Indonesia	5,443	3,005	-	-	2,688
Norway	11,695	8,061	-	-	-
	<b>98,270</b>	<b>47,816</b>	-	-	<b>53,591</b>
<b>Note 4. Financial income and expenses, net, TSEK</b>	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
Interest income	5,858	3,348	2,887	1,628	10,237
Interest expense	-18,177	-9,781	-9	-	-14,013
Interest hedge cost	-10,949	-5,572	-	-	-
Amortisation of loan fees	-15,915	-15,345	-	-	-582
Unwind discount on abandonment provision	-4,702	-3,233	-	-	-1,746
Exchange gains/(losses), net	59,937	20,322	-53,156	-41,056	-210
Other financial income/(expense), net	-1,120	246	-	-	8,130
	<b>14,932</b>	<b>-10,015</b>	<b>-50,278</b>	<b>-39,428</b>	<b>1,816</b>

<b>Note 5. Tax, TSEK</b>	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
Current corporate tax	65,449	22,893	267	196	29,567
Deferred corporate tax	-7,806	-3,235	-	-	-5,308
Current state profit share tax	2,959	-7	-	-	2,103
	<b>60,602</b>	19,651	267	196	26,362

<b>Note 6. Oil and gas properties, TSEK</b>	Book amount 30 June 2003	Book amount 31 Dec 2002
France	861,466	864,266
Netherlands	516,208	522,978
Tunisia	65,352	61,230
Indonesia	41,608	20,115
Venezuela	100,784	101,820
Norway	138,430	-
Sudan	18,995	372,790
Iran	49,916	44,765
Others	214	969
	<b>1,792,973</b>	1,988,933

<b>Note 7. Financial fixed assets, TSEK</b>	Book amount 30 June 2003	Book amount 31 Dec 2002
Shares in associated companies	21,724	21,535
Restricted cash	61,597	54,176
Deferred financing fees	-	15,926
Other financial fixed assets	14,667	11,949
	<b>97,988</b>	103,586

<b>Note 8. Current receivables and inventories, TSEK</b>	Book amount 30 June 2003	Book amount 31 Dec 2002
Inventories	32,818	45,562
Trade receivables	163,972	118,067
Underlift	16,025	4,309
Joint venture debtors	75,298	69,031
Cash deposit for OER Oil AS acquisition	-	37,407
Other current assets	84,989	71,104
	<b>373,102</b>	345,480

<b>Note 9. Current liabilities, TSEK</b>	Book amount 30 June 2003	Book amount 31 Dec 2002
Trade payables	40,296	85,851
Overlift	19,259	22,164
Short term portion of long term liabilities	-	9,186
Tax payables	160,335	92,530
Accrued expenses	100,055	64,143
Acquisition liability	71,465	109,362
Other current liabilities	50,210	32,251
	<b>441,620</b>	415,487

## **PARENT COMPANY INCOME STATEMENT IN SUMMARY**

<i>Expressed in TSEK</i>	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
Service income	1,119	461	3,232	505	3,710
Gross profit	<b>1,119</b>	461	3,232	505	3,710
Other income	219	97	182	129	405
General and administrative expenses	-34,071	-19,610	-20,774	-10,793	-55,627
Operating loss	<b>-32,733</b>	-19,052	-17,360	-10,159	-51,512
Financial income and expenses, net	-78,901	-99,817	-50,758	-39,940	-29,392
Net result before tax	<b>-111,634</b>	-118,869	-68,118	-50,099	-80,904
Tax	-	-	-	-	-
Net result	<b>-111,634</b>	-118,869	-68,118	-50,099	-80,904

## **PARENT COMPANY BALANCE SHEET IN SUMMARY**

<i>Expressed in TSEK</i>	30 June 2003	31 December 2002
<b>ASSETS</b>		
<b>Tangible fixed assets</b>	37	49
<b>Financial fixed assets</b>	703,061	967,309
<b>Total fixed assets</b>	<b>703,098</b>	967,358
<b>Current Assets</b>		
Current receivables	1,961	1,862
Cash and bank, short term investments	174,299	2,081
<b>Total current assets</b>	<b>176,260</b>	3,943
<b>Total assets</b>	<b>879,358</b>	971,301
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity including net result for the period</b>	839,981	950,375
<b>Current liabilities</b>	39,377	20,926
<b>Total shareholders' equity and liabilities</b>	<b>879,358</b>	971,301
Pledged assets	414,799	247,779
Contingent liabilities	12,618	12,618



## **PARENT COMPANY CASH FLOW STATEMENT IN SUMMARY**

<i>Expressed in TSEK</i>	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
<b>Cash flow from operations</b>					
Net result	-111,634	-118,869	-68,118	-50,099	-80,904
Adjustment for non cash related items	-9,116	3,777	47,442	36,477	48,451
Changes in working capital	-1,880	-5,851	-4,356	7,604	15,202
<b>Total cash flow used in operations</b>	<b>-122,630</b>	<b>-120,943</b>	<b>-25,032</b>	<b>-6,018</b>	<b>-17,251</b>
Investment in shares in subsidiaries	-	-	-46,313	-46,313	-170,908
Loans to subsidiary companies	297,379	297,379	-	-	-310,726
Investment in fixed assets	-	-	-18	-	-18
Sale of shares and participations	-	-	181,205	-	181,205
Sale of loan note receivable	-	-	13,640	-	13,640
<b>Total cash flow used for investments</b>	<b>297,379</b>	<b>297,379</b>	<b>148,514</b>	<b>-46,313</b>	<b>-286,807</b>
Proceeds from share issue	1,240	1,240	-	-	160,240
<b>Total cash flow from financing</b>	<b>1,240</b>	<b>1,240</b>	<b>-</b>	<b>-</b>	<b>160,240</b>
Change in cash and bank	175,989	177,676	123,482	-52,331	-143,818
Cash and bank at the beginning of the period	2,081	394	193,683	359,179	193,683
Currency exchange difference					
Bank	-3,771	-3,771	-46,788	-36,471	-47,784
Cash and bank at the end of the period	<b>174,299</b>	<b>174,299</b>	<b>270,377</b>	<b>270,377</b>	<b>2,081</b>

## **STATEMENT OF CHANGES IN PARENT COMPANY EQUITY**

<b>2003</b> <i>Expressed in TSEK</i>	<b>Share Capital</b>	<b>Share premium reserve</b>	<b>Retained earnings</b>	<b>Net result</b>
Balance at 1 January	2,487	1,028,792	-	-80,904
Transfer of prior year net result	-	-80,904	-	80,904
Issuance of shares	4	1,236	-	-
Net result	-	-	-	-111,634
Balance at 30 June	<b>2,491</b>	<b>949,124</b>	<b>-</b>	<b>-111,634</b>

<b>KEY DATA GROUP</b>	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31Dec 2002 12 months
Return on equity, % <sup>1</sup>	64	56	-8	-6	-2
Return on capital employed, % <sup>2</sup>	47	41	-9	-7	-3
Debt/equity ratio, % <sup>3</sup>	-	-	-	-	89
Equity ratio, % <sup>4</sup>	69	69	98	98	34
Share of risk capital, % <sup>5</sup>	79	79	98	98	44
Interest coverage ratio, % <sup>6</sup>	3,017	4,812	-	-	-342
Operating cash flow/interest expenses, % <sup>7</sup>	1,068	968	-	-	822
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>DATA PER SHARE</b>	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2002– 30 Jun 2002 6 months	1 Apr 2002– 30 Jun 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
<b>GROUP</b>					
Shareholders' equity, SEK <sup>1</sup>	7.38	7.38	3.6	3.6	3.7
Operating cash flow, SEK <sup>2</sup>	1.29	0.64	0.0	0.0	0.5
Cash flow used in operations, SEK <sup>3</sup>	0.75	-0.12	-0.16	-0.04	1.1
Earnings, SEK <sup>4</sup>	3.55	3.17	-0.33	-0.22	-0.07
Earnings, (fully diluted), SEK <sup>5</sup>	3.52	3.14	-0.33	-0.22	-0.07
Dividend, SEK	-	-	-	-	-
Quoted price at the end of the financial period (regards the parent company), SEK	10.60	10.60	4.16	4.16	9.20
Number of shares at period end	249,053,016	249,053,016	248,017,316	248,017,316	248,685,016
Weighted average number of shares for the period <sup>6</sup>	248,768,919	248,851,900	215,752,130	219,059,939	232,150,181
Weighted average number of shares for the period (fully diluted) <sup>5</sup>	251,560,545	251,736,463	216,189,921	219,578,398	233,235,711

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 interim reports:**

- Nine months report (January – September 2003) will be published on 14 November 2003.

Stockholm 14 August 2003  
C Ashley Heppenstall  
President and CEO

## **AUDITORS' REPORT**

We have performed a limited review of this six months interim report at 30 June 2003 of Lundin Petroleum AB in accordance with a recommendation issued by FAR (the Swedish Institute of the Accountancy Profession in Sweden). This limited review is considerably less in scope than a full audit. Nothing has come to our attention that caused us to believe that this six months interim report at 30 June 2003 of Lundin Petroleum AB does not comply with the requirements of the Stockholm Stock Exchange and the Swedish Annual Accounts Act.

Stockholm, 14 August 2003

Carl-Eric Bohlin  
Authorised Public Accountant

Klas Brand  
Authorised Public Accountant

PricewaterhouseCoopers AB