

Lundin Petroleum AB – Press Release



Lundin Petroleum AB (publ)

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Attract 40-list, Stockholmsbörsen: **LUPE**
Company registration number 556610-8055

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REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Q2 2004 6 months	Q2 2003 6 months	Year end 2003 12 months
• Production in boepd	20,751	16,034	16,062
• Turnover in MSEK	962.7	611.0	1,120.5
• Net profit in MSEK	210.9	885.3	930.2
• Earnings/share in SEK	0.84	3.55	3.73
• Diluted earnings/share in SEK	0.83	3.52	3.71
• Operating cash flow in MSEK	491.7	321.5	634.6
• Gain on sale Sudan Block 5A in MSEK (included in net profit)	-	724.8	720.1

- Forecasted Group net profit 2004 ¹ SEK 600 million
- Forecasted Group operating cash flow 2004 ¹ SEK 1,350 million

¹ An exchange rate for USD/SEK of 7.5 has been used to arrive at the SEK amount

**Listen to President & CEO Ashley Heppenstall's comments on this report at today's telephone conference at 16.30 CET.
Telephone number: 0044 (0) 208 240 8249. Please call 10 minutes prior to the conference call.
To listen to the replay call 0044 (0)208 288 4459 accesscode 481862.**

Lundin Petroleum is a Swedish independent oil and gas exploration and production company with a well balanced portfolio of world-class assets in Albania, France, Indonesia, Iran, Ireland, Netherlands, Norway, Sudan, Tunisia, United Kingdom and Venezuela. The Company is listed on the Attract 40-list at Stockholm Stock Exchange, Sweden (ticker "LUPE").

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Visit our website: www.lundin-petroleum.com

Dear fellow Shareholders,

It is a great time to be involved in the oil business. Our successful acquisition strategy over the last three years is now giving us the opportunity to take advantage of the strong oil price environment.

Our Company will be producing close to 40,000 barrels of oil equivalent (boepd) by the end of this year. In addition we have development projects in Norway, Tunisia and France which will deliver further production growth over the next two to three years. I am also very pleased to report that our aggressive exploration program this year has been very successful with discoveries in Norway, France and Indonesia.

DNO Acquisition

The acquisition of the DNO assets in the United Kingdom, Norway and Ireland is now fully completed and the assets have been integrated into our business.

The acquisition will enable Lundin Petroleum to boost its forecast production to close to 40,000 boepd by the end of this year and has doubled the proved and probable reserves to 137 million boe.

The announcement of first oil from the Broom field on 3 August 2004 (with the first well producing over 16,000 boepd) increases our belief that we can achieve our production target. We are very pleased by the performance from this first of three production wells. We also believe there is good potential for reserve increases from our United Kingdom fields which we will record at the year end. With current oil prices at around USD 40.00 per barrel the Broom field production will have a significant positive impact on our net profit and operating cash flow going forward.

In Norway we have had positive results from the newly acquired assets. Firstly the exploration well on PL150 (Hamsun prospect) was a significant discovery. In PL203 the Alvheim development is progressing with a development plan having been submitted to the Norwegian Government. This 180 million boe development will produce first oil in early 2007 at the rate of 85,000 boepd. We have opened an office in Norway and are now qualified as an operator on the Norwegian continental shelf. We have a new team of experienced technical staff and a new portfolio of exploration assets which we will look to proactively increase. We are looking to Norway as a new core operating area.

The Irish assets which represented approximately 10% of the DNO acquisition have proved to be disappointing with production well below forecast.

As a whole we are very pleased with the DNO acquisition which we believe will deliver further reserve and production increases, and which is delivering very strong current cash flow.

Financial Performance

Despite our production being slightly below budget for the first half of the year we are pleased to report operating cash flow of MSEK 491.7 (MUSD 65.9) and net profit of MSEK 210.9 (MUSD 28.2) for the period. Based upon our production forecasts we expect to be producing close to 40,000 boepd by year end with an average production rate of 35,000 boepd for the second half of 2004. If we assume an average Brent oil price of USD 35.00 per barrel for the second half of 2004 we forecast annual net profit of MUSD 80 and operating cash flow of MUSD 180 for the year.

Based upon a full year production from the Broom field and the other acquired DNO assets, assuming constant oil prices, I am confident our existing portfolio of assets will produce strong profit and cash flow growth in 2005.

Our financial position today is strong. We have recently negotiated a long term financing arrangement with a group of banks which not only meets our short term financing requirements but provides capacity for growth. We can meet all the Company's planned exploration and development commitments from our existing financing arrangements with no dilution to shareholders.

Future Growth

We are constantly looking to how we can grow the business to increase shareholders' value. We are seeking to generate this growth through:

1. Carrying out further acquisitions.
2. Developing our existing non-producing discoveries and producing assets.
3. Maintaining an aggressive exploration campaign.

We will remain opportunistic regarding acquisitions but the current oil price environment makes it more difficult to find and complete good deals. There is a lot of liquidity in the industry with strong competition.

However we are encouraged by our portfolio of existing development projects particularly in Norway and Tunisia where the Alvheim and Oudna developments will provide production increases and replace the declines from our existing fields. We are also very pleased with our exploration successes this year which will further provide growth in the short to medium term. We have a very active ongoing exploration program with exploration wells currently being drilled in Indonesia, The Netherlands and Iran and further exploration wells to be drilled in Indonesia before year end.

Oil Price

Our positive view on the oil price expressed over the last couple of years has proven to be correct. On the demand side we have seen China and the United States contributing to strong growth. As a result the spare supply capacity is now at all time lows with the market rightly questioning the world's ability to supply long term demand increases as well as meeting short term supply interruptions. The geopolitical position in the Middle East provides further uncertainty and support for the current prices. In the upstream business we are noticing that the areas with the best potential to discover new reserves have high barriers to entry for oil companies not for political risk reasons but because of unacceptable commercial contractual requirements of host governments. This is having a further negative influence on the supply of oil to the market and will continue to do so in the future.

World oil prices remain strong and we expect that position to continue with more potential for upside movement than for downside.

As I said earlier it is a great time to be in the oil business – and these are exciting times for our Swedish oil company.

Best regards,
C. Ashley Heppenstall
President and Chief Executive Officer

OPERATIONS

United Kingdom

The acquisition of DNO's UK assets was completed on 13 February 2004.

First oil from the Broom field (Lundin Petroleum working interest ("WI") 55%) was achieved on 3 August 2004 with the completion of the first of three production wells. The initial production rate at over 16,000 barrels of oil equivalent per day (boepd) was higher than expected. The completion of the remaining two pre-drilled production wells along with the completion of a pre-drilled injection well and the drilling of an additional injection well will be completed in the second half of 2004. Production from the three wells is expected to be in excess of 20,000 boepd. The design capacity of the Heather/Broom export line is 30,000 boepd which provides upside export potential should Broom production be higher than forecast (Heather forecast production is approximately 3,500 boepd). The Broom partners pay a processing tariff to Heather (WI 100%) which is expected to contribute to a long term and profitable future for the Heather field.

Production from the Heather and Thistle fields has been below forecast in the first half of 2004. Heather production was negatively impacted by shutdowns in relation to facilities modifications required as part of the Broom field development. In this respect Heather production was shut-in for most of June 2004. In addition production from Thistle and Heather has been negatively impacted due to ongoing compressor and gas turbine problems.

The first work over on the Thistle field is close to completion and will have a positive impact on Thistle production going forward.

Norway

The acquisition of the majority of DNO's production, development and exploration assets in Norway was completed on 17 June 2004 following the receipt of necessary government approvals. Lundin Petroleum has recruited a team of experienced former DNO employees to manage the acquired assets and to grow its business in Norway.

Lundin Petroleum has a 15% interest in the Alvheim project located in PL203 for which a development plan was submitted to the Norwegian Ministry of Petroleum and Energy in late July 2004. The 180 million boe development is expected to receive development plan approval in the second half 2004 and will produce 85,000 boepd in early 2007. The Alvheim project in addition will process hydrocarbons from the nearby Klegg discovery earning further revenues for the Alvheim partners.

The Hamsun exploration well in PL150 (WI 35%) drilled in the first half 2004 was a significant discovery. The discovery was appraised by three sidetrack wells. Development plan studies are now ongoing and the discovery will most likely be tied back to the nearby Alvheim project facilities currently under development.

Lundin Petroleum's remaining Norwegian portfolio includes a number of further undeveloped discoveries under review in respect of commercialisation options. In this respect a sales and purchase agreement was recently signed with BG Group for them to acquire up to 70% in licence PL292 containing the undeveloped Pi oil and gas discovery.

Production from OER oil AS (75% shareholding) was close to expectation in the first half 2004. Good production performance from the Njord field has offset lower than expected production from Brage. Lundin Petroleum is currently reviewing strategic options in order to simplify the organisational structure in Norway.

France

Production was slightly below expectations in the first half of 2004, primarily as a result of delays to development drilling in the Aquitaine Basin.

In the Aquitaine Basin the Mimosa exploration well (WI 50%) was a discovery. The Mimosa structure is close to existing infrastructure and the discovery well will commence production shortly with the produced oil being trucked to export facilities. The full development of the discovery is under review and will likely involve the tie-in of facilities by pipeline. Further development drilling on the Courbey field will take place during the second half of 2004.

In the Paris Basin drilling has resumed on the Merisier field (WI 100%) with start-up of Phase 2 of the development which involves the drilling of two new horizontal development wells. A new exploration licence (Nemours Licence) was recently awarded to Lundin Petroleum, as operator (WI 33.3%) with partners Vermilion and Madison Energy.

The Netherlands

Production was well above expectations for the first half 2004.

Development drilling will recommence on the Zuidwal field (WI 7.8%) located in the Wadensee in the third quarter 2004.

The Luttelgeest-1 exploration well on the onshore Lemmer Markness permit (WI 10%) which is targeting a large gas prospect is currently drilling and expected to reach its target depth during the third quarter.

Tunisia

Oil production was in line with expectations during the first half of 2004. Debottlenecking of production facilities on the Isis field (WI 40%) has now been completed and will have a positive impact on production going forward.

There has been positive movement in relation to the Oudna field development planning (WI 50%). The Government of Tunisia has approved the development plan and the only outstanding issue which now remains is the finalisation of commercial discussions with state-owned oil company ETAP particularly in relation to the redeployment of the Ikdam FPSO (commercial interest 50%) from the Isis field to the Oudna field.

Lundin Petroleum completed the sales of its shareholding in Compagnie Franco-Tunisienne des Petroles (CFTP) during the first half of 2004.

Indonesia

Banyumas (Java)

Following the acquisition of seismic and the identification of some large prospects it is anticipated that exploration drilling will commence in 2005. Discussions with potential farm-in partners are well advanced. Lundin Petroleum is operator and has a 50% working interest.

Blora (Java)

It is expected that the PADI-1 exploration well with potential reserves in excess of 50 million barrels will spud during the third quarter 2004. Following the withdrawal of two partners from the block, Lundin Petroleum has an 83.3% interest in the Blora block. Negotiations are continuing with a potential farm-in partner and it is expected that the party will acquire a 40% working interest and will fund a part of Lundin Petroleum's well costs. Lundin Petroleum would be left with a 43.3% working interest in Blora.

Lematang (South Sumatra)

The Banteng exploration well (WI 15.88%) is currently drilling and is expected to reach its target depth during the third quarter of 2004. The Banteng prospect has estimated recoverable reserves of 500 bcf.

Development planning for the undeveloped Singa gas field is progressing satisfactorily and includes the finalisation of gas sales arrangements which are likely to utilise the proposed South Sumatra to Java pipeline expected to be completed in 2006.

Salawati Island and Basin (Papua)

Production from Salawati is slightly below expectations. (Salawati Island WI 14.512%, Salawati Basin WI 25.936%). We are now starting to see the benefits of the recent seismic acquisition with three exploration drilling successes on separate structures during the first half of 2004. An active exploration and development drilling program is continuing.

Venezuela

Production from Venezuela, Colón Block (WI 12.5%) is slightly below expectations during the first half of 2004. Further development drilling which is planned for the second half of 2004 is required to maintain production capacity. The plans for exploration drilling on the Colón Block, where there is significant upside potential, have not progressed due to administrative delays.

The arbitration case in relation to Lundin Petroleum's interest in the Colón Block has taken longer than anticipated to reach conclusion but a ruling is expected in the second half of 2004.

Iran

The Seh Qanat-1 exploration well (WI 30%) which was spudded in 2003 reached target depth and a testing program was conducted on three prospective reservoirs. The testing program yielded hydrocarbons in only the upper-Asmari reservoir. Further testing of this reservoir is under consideration but after recent studies it is unlikely this will proceed unless the recently spudded Shakestan-1 exploration well is successful.

The second exploration well Shakestan-1 was spudded in July 2004 and is likely to reach its target depth in the fourth quarter 2004.

Sudan

There has been no operational activity in Block 5B (WI 24.5%) despite the confirmation from technical work and seismic of the existence of a number of large prospects. The resumption of field operations remains dependent upon security considerations which we believe are likely to be resolved by the signing of a peace agreement.

Albania

Lundin Petroleum signed a new production sharing contract for the Durrresi Block, offshore Albania (WI 50%). It is likely that seismic acquisition in 2005 will be followed by an exploration drilling program in 2006.

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 2004. Lundin Petroleum completed the acquisition of Lundin Britain Ltd (formerly DNO Britain Ltd) and Lundin Ireland Ltd (formerly Island Petroleum Developments Ltd) on 13 February 2004. The results of these companies are included in the consolidated results only from the date of acquisition, and hence are only included within the six month period ended 30 June 2004 for a one hundred and thirty eight day period. On 17 June 2004, Lundin Petroleum completed the acquisition of certain Norwegian assets of DNO through its subsidiary Lundin Norway AS. The results of the Norwegian assets are included within the six months period ended 30 June 2004 from the date of acquisition, which amounts to thirteen days. The amounts relating to the comparative period are shown in parentheses after the amount for the current period.

The Group

Lundin Petroleum reports a net profit for the first six months ended 30 June 2004 of MSEK 210.9 (MSEK 885.3) and MSEK 137.5 (MSEK 789.7) for the second quarter of 2004 representing earnings per share on a fully diluted basis of SEK 0.83 (SEK 3.52) for the first half year and SEK 0.54 (SEK 3.14) for the second quarter of 2004. Operating cashflow for the first half year of 2004 amounted to MSEK 491.7 (MSEK 321.5) and MSEK 312.5 (MSEK 160.4) for the second quarter of 2004. Operating cashflow amounted to SEK 1.95 (SEK 1.29) per share (weighted average) for the first half year 2004 and SEK 1.24 (SEK 0.64) per share for the second quarter of 2004.

The net profit for the second quarter of 2004 has been negatively impacted by net foreign exchange losses of MSEK 21.6 whilst the result for the second quarter of 2003 included the gain relating to the sale of Sudan Block 5A of MSEK 724.8. The profits for the quarters adjusted for foreign exchange movements and the gain relating to the sale of Sudan Block 5A in 2003 are shown in the table below.

Expressed in TSEK	1 April 2004– 30 June 2004 3 months	1 Jan 2004– 31 Mar 2004 3 months	1 Oct 2003– 31 Dec 2003 3 months	1 Jul 2003– 30 Sep 2003 3 months	1 April 2003– 30 June 2003 3 months
Net profit	137,534	73,350	14,735	30,152	789,725
Exchange movements	21,609	16,752	24,192	24,384	-20,321
Gain on sale of Sudan	-	-	-	4,747	-724,845
Adjusted net profit	159,143	90,102	38,927	59,283	44,559

Net sales of oil and gas for the half year ended 30 June 2004 amounted to MSEK 914.2 (MSEK 580.8) and MSEK 521.4 (MSEK 239.5) for the second quarter of 2004. Production for the period amounted to 3,776,750 barrels of oil equivalent (boe) representing 20,751 boe per day (boepd). The average price achieved for a barrel of oil equivalent for the half year ended 30 June 2004 amounted to USD 31.74.

Lundin Petroleum has entered into oil price hedging contracts for the production of 2,000 bopd in 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. For the period 1 March 2004 until 31 December 2004, the Group has entered into an additional oil price hedge for 3,000 bopd at a fixed price of USD 29.20 per barrel Dated Brent. The average Dated Brent price for the half year 2004 amounted to USD 33.66 resulting in a post-tax negative hedge settlement of MSEK 26.3.

Other operating income for the half year ended 30 June 2004 amounted to MSEK 48.5 (MSEK 30.2) and MSEK 41.0 (MSEK 13.5) for the second quarter of 2004. This amount includes tariff income from France and the Netherlands and income for maintaining strategic inventory levels in France. Included for the half year ended 30 June 2004, is an amount relating to insurance proceeds received for the French operations amounting to MSEK 12.2 for settlement of an insurance claim relating to 1999. Also included in other operating income is the portion of operational overhead charge that is paid to Lundin Petroleum by partners.

Sales and production for the half year ended 30 June were comprised as follows:

Sales Average price per barrel given in USD	1 Jan – 30 June 2004 6 months	1 April 2004– 30 June 2004 3 months	1 Jan – 30 June 2003 6 months	1 April 2003– 30 June 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
United Kingdom					
- Quantity in boe	896,000	600,000	-	-	-
- Average price per boe	35.12	35.96	-	-	-
France					
- Quantity in boe	889,274	507,740	774,027	383,245	1,436,709
- Average price per boe	33.06	34.74	27.06	26.44	27.71
Norway					
- Quantity in boe	419,488	177,743	310,148	210,148	690,466
- Average price per boe	33.65	35.48	28.11	26.60	28.69
Netherlands					
- Quantity in boe	498,026	235,091	420,614	146,744	864,687
- Average price per boe	24.46	24.01	24.67	26.21	24.87
Indonesia					
- Quantity in boe	325,683	166,728	409,520	143,303	727,139
- Average price per boe	31.28	33.20	29.04	26.50	27.57
Tunisia					
- Quantity in boe	417,763	173,717	675,112	295,617	723,976
- Average price per boe	31.58	35.58	27.97	30.45	28.12
Ireland					
- Quantity in boe	104,343	47,691	-	-	-
- Average price per boe	20.46	22.40	-	-	-
Total					
- Quantity in boe	3,550,577	1,908,710	2,589,421	1,179,057	4,442,977
- Average price per boe	31.74	33.50	27.35	27.45	27.35

Income from Venezuela is derived by way of a service fee. For the half year ended 30 June 2004, Lundin Petroleum received a fee of USD 16.52 (USD 16.73) per barrel for the 472,590 boe (399,105 boe) that were sold.

Production	1 Jan – 30 June 2004 6 months	1 April 2004– 30 June 2004 3 months	1 Jan – 30 June 2003 6 months	1 April 2003– 30 June 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
United Kingdom					
- Quantity in boe	784,934	485,115	-	-	-
- Quantity in boepd	5,688	5,331	-	-	-
France					
- Quantity in boe	799,055	392,864	757,519	374,359	1,517,749
- Quantity in boepd	4,390	4,317	4,185	4,114	4,158
Norway					
- Quantity in boe	415,539	221,080	338,088	209,927	778,012
- Quantity in boepd	3,487	3,540	2,254	2,307	2,329
Netherlands					
- Quantity in boe	498,026	239,269	417,225	143,355	871,994
- Quantity in boepd	2,736	2,629	2,305	1,575	2,389
Venezuela					
- Quantity in boe	459,625	217,725	399,105	211,883	869,430
- Quantity in boepd	2,525	2,393	2,205	2,328	2,382
Indonesia					
- Quantity in boe	406,615	201,198	449,604	233,784	902,338
- Quantity in boepd	2,234	2,211	2,484	2,569	2,472
Tunisia					
- Quantity in boe	326,134	145,752	470,781	248,098	851,023
- Quantity in boepd	1,792	1,602	2,601	2,726	2,332
Ireland					
- Quantity in boe	86,822	47,223	-	-	-
- Quantity in boepd	629	519	-	-	-
Total					
- Quantity in boe	3,776,750	1,950,226	2,832,322	1,421,406	5,790,546
- Quantity in boepd	20,751	21,431	16,034	15,620	16,062
UK	138	91	-	-	-
Ireland	138	91	-	-	-
DNO's Norwegian assets	13	13	-	-	-

Production costs for the six month period ended 30 June 2004 expressed in US dollars were comprised as follows:

Production cost and depletion in TUSD	1 Jan – 30 June 2004 6 months	1 April –30 June 2004 3 months	1 Jan – 30 June 2003 6 months	1 April– 30 June 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Cost of operations	54,633	33,074	18,082	9,195	39,309
Tariff and transportation expenses	6,949	3,846	5,257	2,841	10,276
Royalty and direct taxes	1,435	872	1,833	876	3,511
Changes in inventory/overlift	11,551	8,132	1,435	-3,976	-1,143
Total production costs	74,568	45,924	26,607	8,936	51,953
Depletion	13,833	6,704	11,827	5,935	23,755
Total	88,401	52,628	38,434	14,871	75,708
Production cost and depletion in USD per boe	1 Jan – 30 June 2004 6 months	1 April –30 June 2004 3 months	1 Jan – 30 June 2003 6 months	1 April– 30 June 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Cost of operations	14.47	16.96	6.38	6.47	6.79
Tariff and transportation expenses	1.84	1.97	1.86	2.00	1.77
Royalty and direct taxes	0.38	0.45	0.65	0.62	0.61
Changes in inventory/overlift	3.06	4.17	0.50	-2.80	-0.20
Total production costs	19.75	23.55	9.39	6.29	8.97
Depletion	3.66	3.44	4.18	4.18	4.10
Total cost per boe	23.41	26.99	13.57	10.47	13.07

Cost of operations for the half year ended 30 June 2004 amounted to MSEK 407.9 (MSEK 150.2) and MSEK 249.6 (MSEK 74.1) for the second quarter of 2004. The increase in operating costs is primarily due to the inclusion of the Heather and Thistle fields in the United Kingdom. These two fields are operated by Lundin Petroleum utilising offshore platforms. The fields are mature and have a high proportion of fixed operating cost. Due to low production levels in the first half of 2004 resulting from shut downs to the Heather platform resulting from the Broom development and compressor problems on the Heather and Thistle fields, the operating costs in the UK were above USD 38.00 per barrel. The Broom field, which came on stream in the third quarter of 2004 is a subsea tie-back to the Heather platform and consequently will have low operating costs per barrel. As a result the UK operating costs per barrel will significantly reduce following the production start-up from the Broom field.

Other income for the half year ended 30 June 2004 amounted to MSEK 2.9 (MSEK 3.7) and MSEK 2.1 (MSEK 2.4) for the second quarter of 2004 and represents fees and costs recovered by Lundin Petroleum from third parties.

General and administrative expenses for the half year ended 30 June 2004 amounted to MSEK 59.5 (MSEK 88.6) and MSEK 35.7 (MSEK 41.5) for the second quarter of 2004. Included in the general and administrative expenses for 2004 is the start up cost of Lundin Petroleum's new Norwegian operation established to manage the acquired assets and further develop the Norwegian operations. Included within general and administration expenses in the first half year of 2003 are restructuring costs incurred of MSEK 28.4 related specifically to the redundancy costs associated with the closure of the Paris office.

Net financial income and expenses for the half year ended 30 June 2004 amounted to MSEK -45.3 (MSEK 14.9) and MSEK -21.6 (MSEK -10.0) for the second quarter of 2004. Interest income for the half year ended 30 June 2004 amounted to MSEK 4.9 (MSEK 5.9) and MSEK 2.8 (MSEK 3.3) for the second quarter of 2004. Interest expense for the half year ended 30 June 2004 amounted to MSEK 7.4 (MSEK 18.2) and MSEK 5.4 (MSEK 9.8) for the second quarter of 2004. The cost of the interest rate hedge for the half year ended 30 June 2004 amounted to a gain of MSEK 3.7 (MSEK -10.9) and a gain of MSEK 9.2 (MSEK -5.6) for the second quarter of 2004 due to the release in the provision to record the market value of the potential cost under the swap. The amortisation of financing fees amounted to MSEK 3.0 (MSEK 15.9) for the half year ended 30 June 2004 and MSEK 2.5 (MSEK 15.4) for the second quarter of 2004. Exchange gains and losses for the half year ended 30 June 2004 amounted to MSEK -38.4 (MSEK 59.9). The exchange gains in the first half year of 2003 related primarily to the gains on the revaluation of the USD loan facility into the EUR reporting currency of the entities in which the funds were drawn offset by losses on the revaluation of USD bank balances and receivables into their underlying EUR or SEK reporting currencies. After the completion of the acquisition of the DNO UK and Irish assets during the first quarter of 2004 the USD strengthened against the EUR and GBP resulting in exchange losses on the revaluation of the USD loan facility into the EUR and GBP reporting currency of the entities in which the funds are drawn. In addition a provision of MSEK 4.6 has been recorded against exchange losses in the first six months ended 30 June 2004 to mark to market the currency swaps that the Group has entered into.

The tax benefit for the half year ended 30 June 2004 amounted to MSEK 16.8 (MSEK -60.6). The tax benefit comprises a current corporation tax credit of MSEK 75.0 (MSEK -65.4), a deferred tax charge of MSEK -64.6 (MSEK 7.8), petroleum taxes receivables of MSEK 10.7 (MSEK -3.0) and a charge for deferred petroleum taxes of MSEK -4.2 (MSEK nil). Costs relating to the investment in the Irish development project have been written off in the account of a subsidiary during the second quarter of 2004 creating a deferred tax asset of MSEK 82.7 which has been offset against prior year current taxes paid resulting in a current tax credit and a deferred tax charge. Current income taxes are payable for the half year ended 30 June 2004 in Indonesia and Venezuela amounting to MSEK 6.3 and MSEK 5.0, respectively.

In the fourth quarter of 2003, OER oil acquired a company that held tax losses that could be offset against taxable profits generated by OER oil. The current tax charge for OER oil for the first half of 2003 amounted to MSEK 18.7. The utilisation of the acquired tax losses has resulted in there being no current tax charge for OER oil for the first six months of 2004 but a deferred tax charge for the utilisation of tax losses of MSEK 21.1. A deferred tax benefit has been recorded during the second quarter of 2004 of MSEK 19.1 against the operating losses incurred in the UK during the period included within the consolidated accounts. It is expected that this deferred tax credit will reverse in the second half of 2004 against the profits generated by the Broom field.

As a result of the finalisation of a tax audit in the Netherlands, there has been a reduction of the current petroleum tax payable amounting to MSEK 8.2.

ACQUISITION OF ASSETS FROM DNO

On 12 November 2003, Lundin Petroleum signed a sale and purchase agreement to acquire the companies owning the UK and Irish assets and substantially all of the Norwegian assets of DNO with an effective date of 1 January 2003 for USD 165 million and adjustments for all cashflows during the period up to closing. On 13 February 2004, Lundin Petroleum completed the acquisition of the UK and Irish subsidiaries. On 17 June 2004, Lundin Petroleum completed the acquisition of certain Norwegian assets from DNO. These acquisitions were partially funded from cash balances and drawings from a USD 300 million loan facility provided by Bank of Scotland and BNP Paribas.

The acquisition of the Norwegian assets was recorded in the accounts of Lundin Petroleum from the closing date of 17 June 2004 as follows:

	MSEK	MUSD
Capitalised costs	458.4	61.7
Deferred tax asset	69.2	9.3
Current assets	11.3	1.5
Site restoration provision	-16.6	-2.2
Deferred tax liability	-72.7	-9.8
Current liabilities	-7.7	-1.0
Acquisition price	441.9	59.5
Loan facility utilised	441.9	59.5
Internal funds utilised	-	-

Tangible fixed assets

Tangible fixed assets as at 30 June 2004 amounted to MSEK 4,808.2 (MSEK 1,873.0) of which MSEK 4,749.3 (MSEK 1,817.6) relates to oil and gas properties. The acquisition of the offshore UK, Irish and Norwegian producing assets was recorded at a cost of MSEK 2,657.6. Development and exploration expenditure incurred for the half year ended 30 June 2004 can be summarised as follows:

Development expenditure in MSEK	1 Jan 2004– 30 June 2004 6 months	1 Jan 2003– 30 June 2003 6 months	1 Jan 2003– 31 Dec 2003 12 months
United Kingdom	275.2	-	-
France	16.4	19.1	71.7
Netherlands	8.9	9.3	26.0
Venezuela	8.5	-	-
Tunisia	1.7	-	1.5
Indonesia	11.9	7.8	19.4
Norway	17.3	10.3	26.0
Development expenditure	338.2	46.5	144.6

Exploration expenditure in MSEK	1 Jan 2004– 30 June 2004 6 months	1 Jan 2003– 30 June 2003 6 months	1 Jan 2003– 31 Dec 2003 12 months
France	27.6	1.3	15.7
Indonesia	19.3	27.3	41.6
Iran	23.9	4.7	35.5
Netherlands	6.8	6.2	6.7
Venezuela	-	-	16.3
Tunisia	-	-	3.2
Albania	1.4	2.4	4.6
Norway	3.8	-	-
Sudan	2.7	12.3	13.9
United Kingdom	1.5	-	-
Other	3.0	-	3.6
Exploration expenditure	91.7	54.2	141.1

Financial fixed assets

Financial fixed assets as at 30 June 2004 amounted to MSEK 437.0 (MSEK 134.0). Included in financial fixed assets as at 30 June 2004 is an amount of MSEK 56.9 (MSEK 56.6) recorded as restricted cash. This amount comprises MSEK 16.3 (MSEK 17.8) or MNOK 15.0 representing cash deposited as security for future site restoration costs for fields held offshore Norway and two amounts totaling MSEK 40.6 (MSEK 38.8) representing cash collateralisation of bank guarantees to cover future joint venture work commitments. Shares in associated companies of MSEK 21.5 (MSEK 21.3) relates primarily to an investment in a company owning gas infrastructure in The Netherlands. Deferred financing fees amounted to MSEK 16.9 (MSEK nil) as at 30 June 2004. The deferred financing fees relate to the costs of the bank credit facility and are being amortised over the period of the loan. A deferred tax asset of MSEK 335.7 (MSEK 48.0) has been recorded as at 30 June 2004 for tax losses acquired through the purchase of OER energy AS for an amount of MSEK 29.8 (MSEK 48.0), the tax loss carry forward in the United Kingdom for an amount of MSEK 208.4 (MSEK nil), the tax loss carry forward in the Netherlands for an amount of MSEK 18.3 (MSEK nil) and the tax loss carry forward in Norway for an amount of MSEK 73.7 (MSEK nil). Other financial fixed assets amount to MSEK 6.0 (MSEK 8.1) and are funds held by joint venture partners in anticipation of future expenditures.

Current receivables and inventories

Current receivables and inventories amounted to MSEK 679.0 (MSEK 395.7) as at 30 June 2004. Inventories, including hydrocarbons and consumable well supplies amounted to MSEK 63.4 (MSEK 71.7) as at 30 June 2004. Trade receivables amounted to MSEK 291.5 (MSEK 131.2) as at 30 June 2004. Taxes receivable amounted to MSEK 156.0 (MSEK 69.1) and joint venture debtors amounted to MSEK 71.6 (MSEK 73.0).

Cash and bank

Cash and bank as at 30 June 2004 amounted to MSEK 265.8 (MSEK 301.6). During the first quarter of 2004 MSEK 182.6 of cash was utilised in the acquisition of Lundin Britain Ltd and Lundin Ireland Ltd.

Minority interest

Minority interest amounts to MSEK 25.9 (MSEK 20.0) as at 30 June 2004. This minority interest 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 2004, provisions amounted to MSEK 1,603.4 (MSEK 377.6). This amount includes a provision for site restoration of MSEK 433.8 (MSEK 110.6) and a provision for deferred tax of MSEK 1,141.0 (MSEK 242.0). The increase in provision for site restoration as well as the increase in the provision for deferred tax from 31 December 2003 is primarily due to the acquisition of the UK and Irish assets from DNO.

Lundin Petroleum entered into a four year interest rate swap to reduce the financial risk of rising interest rates. Following the repayment and cancellation of the previous credit facility in 2003, accounting rules required us to record the market value of the potential cost under the swap. A provision has been recorded at 30 June 2004 of MSEK 3.9 (MSEK 18.5) to recognise this potential cost. The provision in relation to the currency hedging contracts amounted to MSEK 4.6 (MSEK nil).

Due to changes in accounting principles the pension liability of the Company in relation to a pension to be paid to Mr Adolf H. Lundin, has been accounted for in the second quarter of 2004. The provision has been accounted for directly against the opening balance of the Company's shareholders' equity as per 1 January 2004 for an amount of MSEK 15.7. As at 30 June 2004, the pension provision amounted to MSEK 15.1.

Long term interest bearing debt

Long term interest bearing debt amounted to MSEK 1,776.3 (MSEK nil) as at 30 June 2004. On 12 February 2004, Lundin Petroleum entered into a seven-year credit facility agreement to borrow up to MUSD 300. Under this facility the Company has utilised MUSD 35 as Letters of Credit in support of future site restoration costs payable to former owners of the Heather field and cash drawings of MUSD 235.5.

Current liabilities

Current liabilities as at 30 June 2004 amount to MSEK 697.3 (MSEK 449.6). Included within current liabilities is MSEK 53.9 (MSEK 71.6) representing trade payables and MSEK 56.2 (MSEK 29.3) of current tax payables. The acquisition liability relates to an accrual of MSEK 52.5 (MSEK 146.5) 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. Other current liabilities as at 30 June 2004 amount to MSEK 123.8 (MSEK 77.0) and primarily represent amounts owing to joint venture partners at that date.

Parent Company

The net result for the parent company amounted to MSEK -9.0 (MSEK -111.6) for the first six months ended 30 June 2004 and MSEK -9.8 (MSEK -118.9) for the second quarter of 2004.

The result included administrative expenses of MSEK 35.3 (MSEK 34.1) offset by net financial income and expenses of MSEK 20.9 (MSEK -78.9). Interest income derived from loans to subsidiary companies amounted to MSEK 15.1 (MSEK 14.1). Currency exchange gains amounted to MSEK 5.4 (MSEK -106.0). The movement in financial fixed assets and cash in bank during the first six months of 2004 is relating to issued loans to subsidiary companies.

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.

LIQUIDITY

The Group had a USD 300 million loan facility to fund the DNO acquisition and to provide further funds for corporate purposes. On 16 August 2004, the Group entered into a revised facility agreement for an increased amount of MUSD 385 on substantially the same terms as the original loan facility. The MUSD 385 loan facility will be used to provide Letters of Credit in the amount of MUSD 35 as security for the payment of future site restoration costs to former holders of the Heather field and to provide cash liquidity. The increased facility provides sufficient funds for the completion of the Broom development and other corporate purposes.

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 amount hedged reduced to MUSD 95 on 2 July 2004 with further reductions to this amount at half year intervals. On 11 March 2004, following the drawdown of funds under the loan facility to finance the DNO acquisition, the Group entered into a further interest rate hedging contract to fix the LIBOR rate of interest on MUSD 40.0 at 2.32% for a period of three years.

The Group has 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.

In February 2004 the Group entered into an oil hedging contract for 3,000 bopd for the period 1 March 2004 until 31 December 2004 fixing the price at USD 29.20 Dated Brent.

The Group has entered into further oil hedging contracts for 6,000 bopd for the calendar year 2005 fixing the price at an average of USD 29.00 Dated Brent.

The Group has entered into a number of currency hedging contracts for 2004 fixing the rate of exchange from USD into Euros and CHF. The contracts run from 20 February 2004 until 20 December 2004. The total amount hedged amounts to MUSD 27.8, of which MUSD 22.0 relates to USD to Euro hedging.

CHANGES IN THE BOARD

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

SHARE DATA

Lundin Petroleum AB's registered share capital at 30 June 2004 amounts to SEK 2,531,073 represented by 253,107,266 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 were exercisable from 1 May 2002. All outstanding warrants were exercised before 1 May 2004.

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 2004, 928,400 incentive warrants remained issued and outstanding.

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. As at 30 June 2004, 2,757,500 incentive warrants were issued and outstanding.

The 2004 program, approved on 19 May 2004, is for the issue of up to 2,250,000 incentive warrants exercisable during the period 31 May 2005 to 31 May 2007 at a strike price of SEK 45.80. These warrants have been issued at a 10% premium to the average closing price of Lundin Petroleum shares for the ten days after the AGM. As at 30 June 2004, 2,215,000 incentive warrants were issued and outstanding.

As at 30 June 2004, no convertible debt was outstanding.

Exchange rates

For the preparation of financial statements for the half year ended 30 June 2004, the following currency exchange rates have been used.

	Period average	Period end
1 EUR equals SEK	9.1643	9.1451
1 USD equals SEK	7.4658	7.5237

Accounting principles

The Half Year Report of Lundin Petroleum AB (publ) has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 on a basis consistent with the previous year, with the exception of the treatment of pension cost. In the second quarter of 2004, Lundin Petroleum has adopted the Swedish recommendation RR 29 effective 1 January 2004 resulting in a reduction to the 2004 retained earnings brought forward of MSEK 15.7.

Preparations have commenced for full implementation of the remaining IFRS recommendations in 2005. It is assessed that the effects of implementing the IFRS recommendations will pertain mainly to financial instruments.

CONSOLIDATED INCOME STATEMENT IN SUMMARY

<i>Expressed in TSEK</i>	Note	1 Jan 2004– 30 Jun 2004 6 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Operating income						
Net sales of oil and gas	1	914,187	521,354	580,775	239,483	1,082,136
Other operating income		48,506	40,983	30,182	13,511	38,369
		962,693	562,337	610,957	252,994	1,120,505
Cost of sales						
Production costs	2	-556,713	-346,404	-221,080	-69,754	-419,911
Depletion of oil and gas properties	3	-103,272	-50,937	-98,270	-47,816	-192,002
Write off of oil and gas properties		-1,155	-1,155	-	-	-2,395
		301,553	163,841	291,607	135,424	506,197
Gain on sale of Sudan Block 5A		-	-	724,845	724,845	720,098
Other income		2,936	2,145	3,693	2,366	7,161
General, administration and depreciation expenses		-59,474	-35,660	-88,570	-41,532	-164,947
		245,015	130,326	931,575	821,103	1,068,509
Operating profit						
Financial income and expenses, net	4	-45,261	-21,564	14,932	-10,015	-50,526
Profit before tax and minority interest		199,754	108,762	946,507	811,088	1,017,983
Tax	5	16,820	31,805	-60,602	-19,651	-79,881
Minority interests		-5,690	-3,033	-563	-1,711	-7,873
Net result		210,884	137,534	885,342	789,726	930,229
Earnings per share – SEK		0.84	0.55	3.55	3.17	3.73
Diluted earnings per share – SEK		0.83	0.54	3.52	3.14	3.71

CONSOLIDATED BALANCE SHEET IN SUMMARY

<i>Expressed in TSEK</i>	Note	30 June 2004	31 Dec 2003
ASSETS			
Tangible fixed assets			
Oil and gas properties	6	4,749,261	1,817,606
Other tangible fixed assets		58,902	55,356
Total tangible fixed assets		4,808,163	1,872,962
Financial fixed assets	7	436,992	134,018
Total fixed assets		5,245,155	2,006,980
Current Assets			
Current receivables and inventories	8	679,000	395,654
Cash and bank		265,835	301,589
Total current assets		944,835	697,243
Total assets		6,189,990	2,704,223
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity including net result for the period			
		2,086,991	1,856,932
Minority interest		25,859	20,036
Provisions	9	1,603,446	377,505
Long-term interest bearing debt		1,776,255	-
Other long-term liabilities		119	118
Current liabilities	10	697,320	449,632
Total shareholders' equity and liabilities		6,189,990	2,704,223
Pledged assets		968,448	-
Contingent liabilities		-	11,669

STATEMENT OF CHANGE IN GROUP EQUITY

<i>Expressed in TSEK</i>	Share Capital	Restricted reserves	Retained earnings	Net result
Balance at 1 January 2003	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 2003	2,491	990,709	-41,421	885,342
Issuance of shares	24	9,173	-	-
Currency translation difference	-	-15,770	-18,503	-
Net result	-	-	-	44,887
Balance at 31 December 2003	2,515	984,112	-59,924	930,229

Transfer of prior year net result	-	-	930,229	-930,229
Change of accounting policies	-	-	-15,737	-
Issuance of shares	16	10,309	-	-
Currency translation difference	-	9,497	15,090	-
Net result	-	-	-	210,884
Balance at 30 June 2004	2,531	1,003,918	869,658	210,884

GROUP CASH FLOW STATEMENT IN SUMMARY

<i>Expressed in TSEK</i>	1 Jan 2004– 30 Jun 2004 6 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Cash flow from operations					
Net result	210,884	137,534	885,342	789,726	930,229
Adjustment for depletion and other non cash related items	182,323	109,148	-662,070	-668,043	-491,918
Changes in working capital	9,624	29,805	-37,522	-150,676	-191,653
Total cash flow from operations	402,831	276,487	185,750	-28,993	246,658
Investment in subsidiary assets	-1,214,971	-	-	-	-10,864
Sale of assets	-	-	1,155,549	1,155,549	1,150,802
Change in other financial fixed assets	68	-964	-12,517	-271	158
Investment in oil and gas properties	-878,968	-767,497	-186,451	-81,054	-285,808
Investment in other fixed assets	-2,246	-1,405	-6,796	-2,467	-13,267
Total cash flow used for/from investments	-2,096,117	-769,866	949,785	1,071,757	841,021
Changes in long-term liabilities	1,666,582	619,422	-1,022,808	-1,021,139	-1,022,809
Paid financing fees	-18,443	-	-	-	-
Proceeds from share issues	10,325	9,249	1,240	1,240	10,437
Total cash flow from/used for financing	1,658,464	628,671	-1,021,568	-1,019,899	-1,012,372
Change in cash and bank	-34,822	135,292	113,967	22,865	75,307
Cash and bank at the beginning of the period	301,589	132,449	247,776	341,026	247,776
Currency exchange difference in cash and bank	-932	-1,906	-5,599	-7,747	-21,494
Cash and bank at the end of the period	265,835	265,835	356,144	356,144	301,589

Note 1. Net sales of oil and gas, TSEK	1 Jan 2004– 30 Jun 2004 6 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Sale of crude oil					
- United Kingdom	239,094	163,747	-	-	-
- France	220,631	134,112	172,471	80,273	317,704
- Norway	105,205	48,352	73,497	45,837	161,600
- Indonesia	77,269	42,147	98,690	29,119	163,132
- Tunisia	99,491	48,574	104,107	27,189	168,567
	741,690	436,932	448,765	182,418	811,003
Sale of condensate					
- Netherlands	6,644	3,505	2,725	2,725	8,348
- Norway	1,896	932	1,420	1,033	3,238
- United Kingdom	2,502	1,679	-	-	-
	11,042	6,116	4,145	3,758	11,586
Sale of gas					
- Netherlands	90,052	42,052	86,065	30,176	173,435
- Ireland	16,586	8,756	-	-	-
- Indonesia	2,799	959	468	55	909
- Norway	2,597	715	1,095	636	3,449
	112,034	52,482	87,628	30,867	177,793
Service fee					
- Venezuela	58,293	29,806	53,221	32,440	102,205
Oil price hedging settlement	-41,086	-28,598	-15,374	-2,977	-30,488
Change in underlift position	32,214	24,616	2,390	-7,023	10,037
	914,187	521,354	580,775	239,483	1,082,136

Note 2. Production costs, TSEK	1 Jan 2004– 30 Jun 2004 6 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Costs of operations	407,879	249,594	150,242	74,140	320,141
Tariff and transportation expenses	51,884	29,095	43,682	22,994	83,057
Royalty and direct taxes	10,711	6,581	15,227	7,033	25,955
Changes in inventory/overlift position	86,239	61,134	11,929	-34,413	-9,242
	556,713	346,404	221,080	69,754	419,911

Note 3. Depletion of oil and gas properties, TSEK	1 Jan 2004– 30 Jun 2004 6 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
France	28,609	13,460	33,420	16,205	60,673
Norway	14,841	8,516	11,695	8,061	24,482
Netherlands	32,513	16,420	26,507	9,412	58,196
Venezuela	16,003	7,590	9,812	5,227	18,880
Indonesia	3,780	1,332	5,443	3,005	8,896
Tunisia	7,526	3,619	11,393	5,906	20,875
	103,272	50,937	98,270	47,816	192,002

Note 4. Financial income and expenses, net, TSEK	1 Jan 2004– 30 Jun 2004 6 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Interest income	4,880	2,802	5,858	3,348	11,374
Interest expense	-7,353	-5,416	-18,177	-9,781	-25,562
Interest hedge cost	3,676	9,195	-10,949	-5,572	-37,220
Amortisation of loan fees	-2,999	-2,510	-15,915	-15,345	-15,915
Unwind discount on abandonment provision	-8,400	-5,096	-4,702	-3,233	-5,255
Exchange gains/(losses), net	-38,361	-21,609	59,937	20,322	11,361
Other financial income/(expense), net	3,296	1,070	-1,120	246	10,691
	-45,261	-21,564	14,932	-10,015	-50,526

Note 5. Tax, TSEK	1 Jan 2004– 30 Jun 2004 6 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Current corporate tax	74,951	85,312	-65,449	-22,893	-45,658
Deferred corporate tax	-64,627	-59,037	7,806	3,235	-19,810
Current petroleum tax	10,723	11,181	-2,959	7	-20,335
Deferred petroleum tax	-4,227	-5,651	-	-	5,922
	16,820	31,805	-60,602	-19,651	-79,881

Note 6. Oil and gas properties, TSEK	Book amount 30 June 2004	Book amount 31 Dec 2003
United Kingdom	2,410,791	-
France	791,091	770,265
Norway	596,905	136,862
Netherlands	464,281	477,634
Venezuela	216,897	217,839
Indonesia	92,149	60,229
Tunisia	43,979	53,290
Iran	104,186	79,765
Sudan	23,327	20,457
Albania	1,360	-
Others	4,295	1,265
	4,749,261	1,817,606

Note 7. Financial fixed assets, TSEK	Book amount 30 June 2004	Book amount 31 Dec 2003
Shares in associated companies	21,481	21,328
Restricted cash	56,879	56,585
Deferred financing fees	16,907	-
Deferred tax asset	335,714	47,983
Other financial fixed assets	6,011	8,122
	436,992	134,018

Note 8. Current receivables and inventories, TSEK	Book amount 30 June 2004	Book amount 31 Dec 2003
Inventories	63,440	71,666
Trade receivables	291,479	131,188
Underlift	39,241	12,883
Corporation tax	156,030	69,119
Joint venture debtors	71,647	72,964
Other current assets	57,163	37,834
	679,000	395,654

Note 9. Provisions, TSEK	Book amount 30 June 2004	Book amount 31 Dec 2003
Site restoration	433,827	110,643
Pension	15,130	-
Deferred taxes	1,141,053	241,967
Other	13,436	24,895
	1,603,446	377,505

Note 10. Current liabilities, TSEK	Book amount 30 June 2004	Book amount 31 Dec 2003
Trade payables	53,883	71,640
Overlift	48,560	23,237
Short term liability	70,463	15,550
Tax payables	56,159	29,329
Accrued expenses	291,906	86,439
Acquisition liabilities	52,502	146,465
Other current liabilities	123,847	76,972
	697,320	449,632

PARENT COMPANY INCOME STATEMENT IN SUMMARY

<i>Expressed in TSEK</i>	1 Jan 2004– 30 Jun 2004 6 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Service income	5,240	4,297	1,119	461	1,119
Gross profit	5,240	4,297	1,119	461	1,119
Other income	165	75	219	97	396
General and administrative expenses	-35,335	-20,632	-34,071	-19,610	-71,302
Operating loss	-29,930	-16,260	-32,733	-19,052	-69,787
Financial income and expenses, net	20,896	6,488	-78,901	-99,817	-80,360
Net result before tax	-9,034	-9,772	-111,634	-118,869	-150,147
Tax	-	-	-	-	-
Net result	-9,034	-9,772	-111,634	-118,869	-150,147

PARENT COMPANY BALANCE SHEET IN SUMMARY

<i>Expressed in TSEK</i>	30 June 2004	31 Dec 2003
ASSETS		
Tangible fixed assets	181	95
Financial fixed assets	801,230	754,863
Total fixed assets	801,411	754,958
Current Assets		
Current receivables	6,488	12,355
Cash and bank	6,244	112,609
Total current assets	12,732	124,964
Total assets	814,143	879,922
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity including net result for the period	811,956	810,665
Current liabilities	2,187	69,257
Total shareholders' equity and liabilities	814,143	879,922
Pledged assets	968,448	-
Contingent liabilities	-	11,619

PARENT COMPANY CASH FLOW STATEMENT IN SUMMARY

<i>Expressed in TSEK</i>	1 Jan 2004– 30 Jun 2004 6 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2003– 30 Jun 2003 6 months	1 Apr 2003– 30 Jun 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Cash flow from operations					
Net result	-9,034	-9,772	-111,634	-118,869	-150,147
Adjustment for non cash related items	-2,004	20	-9,116	3,777	6,625
Changes in working capital	-6,779	-1,825	-1,880	-5,851	10,505
Total cash flow used in operations	-17,817	-11,577	-122,630	-120,943	-133,017
Investment in shares in subsidiaries	-	-	-	-	-585
Changes in loans to subsidiary companies	-100,791	7,316	297,379	297,379	253,264
Investment in fixed assets	-120	-120	-	-	-85
Total cash flow used for/from investments	-100,911	7,196	297,379	297,379	252,594
Proceeds from share issue	10,325	9,249	1,240	1,240	10,437
Total cash flow from financing	10,325	9,249	1,240	1,240	10,437
Change in cash and bank	-108,403	4,868	175,989	177,676	130,014
Cash and bank at the beginning of the period	112,609	1,375	2,081	394	2,081
Currency exchange difference					
Bank	2,038	1	-3,771	-3,771	-19,486
Cash and bank at the end of the period	6,244	6,244	174,299	174,299	112,609

STATEMENT OF CHANGES IN PARENT COMPANY EQUITY

<i>Expressed in TSEK</i>	Share Capital	Restricted reserves	Net result
Balance at 1 January 2003	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 2003	2,491	949,124	-111,634
New share issue	24	9,173	-
Net result	-	-	-38,513
Balance at 31 December 2003	2,515	958,297	-150,147
Transfer of prior year net result	-	-150,147	150,147
Issuance of shares	16	10,309	-
Net result	-	-	-9,034
Balance at 30 June 2004	2,531	818,459	-9,034

KEY DATA GROUP	1 Jan 2004– 30 June 2004 6 months	1 April 2004– 30 June 2004 3 months	1 Jan 2003– 30 June 2003 6 months	1 April 2004– 30 June 2004 3 months	1 Jan 2003– 31 Dec 2003 12 months
Return on equity, % ¹	11	7	64	56	67
Return on capital employed, % ²	9	4	47	41	50
Debt/equity ratio, % ³	85	85	-	-	-
Equity ratio, % ⁴	34	34	69	69	69
Share of risk capital, % ⁵	53	53	79	79	78
Interest coverage ratio, % ⁶	1,184	1,091	3,017	4,812	1,559
Operating cash flow/interest expenses, % ⁷	2,668	2,847	1,068	968	1,011
Yield, % ⁸	-	-	-	-	-

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.

**DATA PER SHARE
GROUP**

	1 Jan 2004– 30 June 2004 6 months	1 April 2004– 30 June 2004 3 months	1 Jan 2003– 30 June 2003 6 months	1 April 2003– 30 June 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Shareholders' equity, SEK ¹	8.29	8.29	7.38	7.38	7.38
Operating cash flow, SEK ²	1.95	1.24	1.29	0.64	2.52
Cash flow used in operations, SEK ³	1.60	1.10	0.75	-0.12	0.98
Earnings, SEK ⁴	0.84	0.55	3.55	3.17	3.73
Earnings, (fully diluted), SEK ⁵	0.83	0.54	3.52	3.14	3.71
Dividend, SEK	-	-	-	-	-
Quoted price at the end of the financial period (regards the parent company), SEK	40.00	40.00	10.60	10.60	34.30
Number of shares at period end	253,107,266	253,107,266	249,053,016	249,053,016	251,525,466
Weighted average number of shares for the period ⁶	251,996,911	252,307,340	248,768,919	248,851,900	249,401,389
Weighted average number of shares for the period (fully diluted) ⁵	254,766,400	255,173,256	251,560,545	251,736,463	251,041,951

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 2004) will be published on 16 November 2004.

Stockholm 17 August 2004

Ashley Heppenstall
President & CEO

Auditors' report

We have performed a limited review of this six months interim report at 30 June 2004 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 2004 of Lundin Petroleum AB does not comply with the requirements of the Swedish Annual Accounts Act.

Stockholm, 17 August 2004

Carl-Eric Bohlin
Authorised Public Accountant

Klas Brand
Authorised Public Accountant

PricewaterhouseCoopers AB