

REPORT FOR THE FIRST THREE MONTHS

1 January–31 March 2002



*Lundin Petroleum AB (publ)*

*Exploring for Energy*

**Dear fellow shareholders:**

I am pleased to report that the Company is well on its way to complete its first acquisition of producing assets. This acquisition is in line with our stated aim to generate cash flow in the near term while maintaining significant exposure to world-class exploration plays.

On February 5, 2002 the Company announced that it had agreed to sell all of its shareholding in Khanty Mansiysk Oil Corporation ("KMOC") for a cash consideration of USD 18.3 million. The transaction closed shortly thereafter and has significantly added to the Company's cash reserves. Furthermore, the capital budget for the year 2002 has been reduced significantly as a result of the suspension of operations in Sudan, thereby freeing up further funds for acquisitions.

The Company does, however, remain committed to both Sudan and Iran, where the potential for large oil discoveries is among the highest anywhere. In Sudan where the Company has a 40.375% interest in Block 5A and 24.5% interest in Block 5B, the Company has already booked net proven and probable oil reserves of 60 million barrels on Block 5A. The ongoing peace effort has made some good progress recently and we are still aiming to re-start operations next dry season, starting in December.

In Iran where the Company has a 40% interest in Munir Block together with Edison International, seismic acquisition should commence in the second quarter.

Yours sincerely

Ian H Lundin

*President and CEO*

## Result and Cashflow

### Income statement

Service income received for the financial period amounted to MSEK 1.6. This amount represents payments by the Sudan Block 5A joint venture partners to Lundin Petroleum as the operator of Block 5A in Sudan.

Other income of MSEK 1.2 is primarily the amount charged to third parties for work carried out by Lundin employees. General and administrative expenses amounting to MSEK 13.5 are mainly attributable to salaries, office leases and corporate costs.

Financial net expenses of MSEK 10.9 arise primarily from MSEK 1.3 in interest income offset by MSEK 12.1 in currency exchange movements resulting mostly from the revaluation of US dollar cash deposits.

### Fixed assets

#### Tangible fixed assets

As at 31 March 2002, capitalised expenditure in relation to oil and gas properties amounted to MSEK 412.8, of which

MSEK 400.0 are attributable to oil and gas properties in Sudan.

#### Financial fixed assets

Lundin Petroleum completed the sale of its shares and promissory note in the Delaware, United States company Khanty Mansyisk Oil Company (KMOOC) for MSEK 194.8.

#### Restricted cash

As at 31 March 2002, restricted cash amounted to MSEK 64.0. This amount reflects amounts placed as collateral for bank guarantees issued to cover future work commitments. The first guarantee was issued to the Minister of Energy and Mining, representing the Republic of the Sudan, in relation to the first commitment period in Block 5B in Sudan, and the second guarantee is issued to Edison International, as operator of the Munir Block in Iran. The amount of the bank guarantees and the corresponding cash collateral will be reduced as the work commitments are performed.

#### Current receivables

As at 31 March 2002, current receiv-



ables amounted to MSEK 10.5. This amount consists primarily of prepaid expenses and other receivables attributable to joint venture partners in respect of joint ventures.

### **Cash and bank**

As at 31 March 2002, Lundin Petroleum's cash position amounts to MSEK 367.6.

### **Current liabilities**

As at 31 March 2002, current liabilities amounted to MSEK 23.2. This amount consists primarily of accruals relating to the Sudan Block 5A joint venture.

### **Financial position**

As at 31 March 2002, Lundin Petroleum has no interest-bearing liabilities.

On 1 October 2001, the Board of Directors ratified the terms and conditions of the previously notified new share issue with preferential rights being offered to existing shareholders of Lundin Petroleum. One outstanding share entitled the holder to subscribe for one new share in Lundin Petroleum at a subscription price

of SEK 3.00. Following full subscription 106,203,784 shares were issued for proceeds of 302.7 MSEK after share issue costs.

In addition, the subscribers received – at no cost – one warrant for every two new shares subscribed for. Each warrant entitles the holder to subscribe for one new Lundin Petroleum share at a subscription price of SEK 4.50 during the period 15 May–14 June 2002. In the event the warrants are fully exercised an additional 237 MSEK will be raised after share issue costs.

### **Share data**

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 are outstanding. The incentive warrants are exercisable from 1 May 2002.

### **Cash flow**

The change in cash and bank is attributable to the sale of the investment in KMOC.

## INCOME STATEMENT IN SUMMARY

| <b>For the period</b>                      | <b>Group</b>               |                            | <b>Parent Company</b>      |                            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
|  | 1 Jan 2002–<br>31 Mar 2002 | 4 May 2001–<br>31 Dec 2001 | 1 Jan 2002–<br>31 Mar 2002 | 4 May 2001–<br>31 Dec 2001 |
| <i>Expressed in SEK thousand</i>           |                            |                            |                            |                            |
| Net sales of oil and gas                   | -                          | -                          | -                          | -                          |
| Service income                             | 1,552                      | 749                        | 2,727                      | 1,304                      |
| Write off of capitalised exploration costs | -                          | -502                       | -                          | -                          |
| <b>Result from operations</b>              | <b>1,552</b>               | <b>247</b>                 | <b>2,727</b>               | <b>1,304</b>               |
| Other income                               | 1,235                      | 4,373                      | 53                         | 63                         |
| General and administrative expenses        | -13,526                    | -23,145                    | -9,981                     | -19,036                    |
| <b>Operating result</b>                    | <b>-10,739</b>             | <b>-18,525</b>             | <b>-7,201</b>              | <b>-17,669</b>             |
| Financial income and expenses, net         | -10,850                    | -22,907                    | -10,818                    | -23,771                    |
| <b>Income before tax</b>                   | <b>-21,589</b>             | <b>-41,432</b>             | <b>-18,019</b>             | <b>-41,440</b>             |
| Tax  | -71                        | -551                       | -                          | -                          |
| <b>Net result for the period</b>           | <b>-21,660</b>             | <b>-41,983</b>             | <b>-18,019</b>             | <b>-41,440</b>             |

## BALANCE SHEET IN SUMMARY



| <i>Expressed in SEK thousand</i>                            |   | Group          | Group          | Parent<br>Company | Parent<br>Company |
|---|---|----------------|----------------|-------------------|-------------------|
|   |   | 31 Mar 2002    | 31 Dec 2001    | 31 Mar 2002       | 31 Dec 2001       |
| <b>ASSETS</b>   |   |                |                |                   |                   |
| <b>Tangible fixed assets</b>                                |   |                |                |                   |                   |
| Oil and gas properties                                      | 1 | 412,845        | 376,181        | -                 | -                 |
| Other fixed assets  |   | 13,712         | 6,254          | 67                | 55                |
| <b>Total tangible assets</b>                                |   | <b>426,557</b> | <b>382,435</b> | <b>67</b>         | <b>55</b>         |
| Financial fixed assets                                      | 2 | 64,029         | 227,425        | 485,674           | 681,160           |
| <b>Total fixed assets</b>                                   |   | <b>490,586</b> | <b>609,860</b> | <b>485,741</b>    | <b>681,215</b>    |
| <b>Current assets</b>                                       |   |                |                |                   |                   |
| Current receivables and inventories                         |   | 10,495         | 9,475          | 14,797            | 2,539             |
| Cash and bank,<br>and short term investments                |   | 367,602        | 301,519        | 359,179           | 193,683           |
| <b>Total current assets</b>                                 |   | <b>378,097</b> | <b>310,994</b> | <b>373,976</b>    | <b>196,222</b>    |
| <b>Total assets</b>   |   | <b>868,683</b> | <b>920,854</b> | <b>859,717</b>    | <b>877,437</b>    |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>                 |   |                |                |                   |                   |
| Shareholders' equity<br>including net result for the period | 3 | 845,471        | 882,467        | 853,020           | 871,039           |
| Current liabilities   |   | 23,212         | 38,387         | 6,697             | 6,398             |
| <b>Total shareholders' equity<br/>and liabilities</b>       |   | <b>868,683</b> | <b>920,854</b> | <b>859,717</b>    | <b>877,437</b>    |
| Pledged assets and contingent liabilities                   |   | -              | -              | -                 | -                 |

## ▶▶ CASH FLOW STATEMENT IN SUMMARY

| <b>For the period</b><br><i>Expressed in SEK thousand</i> | <b>Group</b>               |                            | <b>Parent Company</b>      |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | 1 Jan 2002–<br>31 Mar 2002 | 4 May 2001–<br>31 Dec 2001 | 1 Jan 2002–<br>31 Mar 2002 | 4 May 2001–<br>31 Dec 2001 |
| <i>Cash flow used in operations</i>                       |                            |                            |                            |                            |
| Net result for the period                                 | -21,660                    | -41,983                    | -18,019                    | -41,440                    |
| Adjustments for non-cash items                            | 11,710                     | 25,485                     | 10,965                     | 22,725                     |
| Changes in working capital                                | -15,458                    | 20,265                     | -11,960                    | 3,859                      |
| <b>Total cash flow used in operations</b>                 | <b>-25,408</b>             | <b>3,767</b>               | <b>-19,014</b>             | <b>-14,856</b>             |
| <i>Cash flow used for investments</i>                     |                            |                            |                            |                            |
| Movement in restricted cash                               | -33,440                    | 5                          | -                          | -                          |
| Investment in shares in subsidiary                        | -                          | -                          | -                          | -95,297                    |
| Sale of other shares                                      | 181,205                    | -                          | 181,205                    | -                          |
| Sale of promissory note                                   | 13,640                     | -                          | 13,640                     | -                          |
| Investment in oil and gas properties                      | -48,826                    | -77,263                    | -                          | -                          |
| Investment in other fixed assets                          | -8,485                     | -1,071                     | -18                        | -55                        |
| <b>Total cash flow used for investments</b>               | <b>104,094</b>             | <b>-78,329</b>             | <b>194,827</b>             | <b>-95,352</b>             |
| <i>Cash flow from financing</i>                           |                            |                            |                            |                            |
| Proceeds from share issue                                 | -                          | 303,891                    | -                          | 303,891                    |
| <b>Total cash flow financing</b>                          | <b>-</b>                   | <b>303,891</b>             | <b>-</b>                   | <b>303,891</b>             |
| Change in cash and bank                                   | 78,686                     | 229,329                    | 175,813                    | 193,683                    |
| Cash and bank at the beginning of the period              | 301,519                    | -                          | 193,683                    | -                          |
| Cash contributed in connection with formation             | -                          | 69,792                     | -                          | -                          |
| Currency exchange difference in cash and bank             | -12,603                    | 2,398                      | -10,317                    | -                          |
| <b>Cash and bank at the end of the period</b>             | <b>367,602</b>             | <b>301,519</b>             | <b>359,179</b>             | <b>193,683</b>             |

**Note 1: Oil and gas properties**

|                                     | Group          | Group          | Parent<br>Company | Parent<br>Company |
|-------------------------------------|----------------|----------------|-------------------|-------------------|
| <i>Expressed in SEK thousand</i>    | 31 Mar 2002    | 31 Dec 2001    | 31 Mar 2002       | 31 Dec 2001       |
| Sudan                               | 399,955        | 366,289        | -                 | -                 |
| Iran                                | 12,141         | 9,892          | -                 | -                 |
| Other                               | 749            | -              | -                 | -                 |
| <b>Total oil and gas properties</b> | <b>412,845</b> | <b>376,181</b> | <b>-</b>          | <b>-</b>          |

**Note 2: Financial fixed assets**

|                                     | Group         | Group          | Parent<br>Company | Parent<br>Company |
|-------------------------------------|---------------|----------------|-------------------|-------------------|
| <i>Expressed in SEK thousand</i>    | 31 Mar 2002   | 31 Dec 2001    | 31 Mar 2002       | 31 Dec 2001       |
| Shares in subsidiaries              | -             | -              | 485,674           | 485,674           |
| Shares in KMOC                      | -             | 181,619        | -                 | 181,619           |
| Promissory note from KMOC           | -             | 13,867         | -                 | 13,867            |
| Restricted cash                     | 64,029        | 31,939         | -                 | -                 |
| <b>Total financial fixed assets</b> | <b>64,029</b> | <b>227,425</b> | <b>485,674</b>    | <b>681,160</b>    |

**Note 3: Shareholders' equity**

| <i>Expressed in SEK thousand</i> | Group          | Parent Company |
|----------------------------------|----------------|----------------|
| <b>Balance 1 January 2002</b>    | <b>882,467</b> | <b>871,039</b> |
| Net result for the period        | -21,660        | -18,019        |
| Currency translation             | -15,336        | -              |
| <b>Balance 31 March 2002</b>     | <b>845,471</b> | <b>853,020</b> |



## KEY DATA

### For the period 1 January 2002–31 March 2002

|   | Group |
|---|-------|
| Return on equity, % <sup>1</sup>                      | 0     |
| Return on capital employed, % <sup>2</sup>            | 0     |
| Debt/equity ratio, % <sup>3</sup>                     | –     |
| Equity ratio, % <sup>4</sup>                          | 97    |
| Share of risk capital, % <sup>5</sup>                 | 97    |
| Interest coverage ratio, % <sup>6</sup>               | –     |
| Operating cash flow/interest expenses, % <sup>7</sup> | –     |
| Yield, % <sup>8</sup>                                 | –     |

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

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 over the Group's existence).

3 Debt/equity ratio is defined as the Group's interest-bearing liabilities 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.

**For the period 1 January 2002–31 March 2002****Group**

|   |             |
|---|-------------|
| Shareholders' equity, SEK <sup>1</sup>  | 4.0         |
| Operating cash flow, SEK <sup>2</sup>   | 0.0         |
| Cash flow used in operations, SEK <sup>3</sup>                                    | -0.1        |
| Earnings, SEK <sup>4</sup>  | -0.1        |
| Earnings, (fully diluted), SEK <sup>5</sup>                                       | -0.1        |
| Dividend, SEK   | -           |
| Quoted price at the end of the financial period (regards the parent company), SEK | 3.51        |
| Number of shares at period end  | 212,407,568 |
| Weighted average number of shares for the period <sup>6</sup>                     | 212,407,568 |
| Weighted average number of shares for the period (fully diluted) <sup>5</sup>     | 212,763,135 |

- 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. The warrants to be issued to employees will have an exercise price calculated as the average of the first 20 trading days. No dilution has been calculated given the uncertainty relating to the issue and trading prices.
- 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:

- Six months report (January–June 2002) will be published on 8 August 2002.
- Nine months report (January–September 2002) will be published on 7 November 2002.

Stockholm 8 May 2002

Ian H. Lundin  
President and CEO

*This report has not been subject to review by the auditors of the company.*



*[www.lundin-petroleum.com](http://www.lundin-petroleum.com)*

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