

LUNDIN PETROLEUM AB (PUBL)

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REPORT FOR THE THREE MONTHS ENDED 31 MARCH  
2003



FIRST QUARTER HIGHLIGHTS

- **Production of 16,425 BOEPD**
- **Operating cash flow of SEK 161.1 million (USD 18.8 million)**
- **Net profit of SEK 95.6 million (USD 11.2 million)**
- **Sale of Sudan Block 5A for USD 142.5 million subsequent to the quarter end**
- **Purchase of a 75% interest in Norwegian OER Oil AS**

**Dear fellow Shareholders,**

During the first three months of 2003 we have continued to make positive strides in developing our business. Our financial results for the first quarter clearly show the benefits of the Coparex acquisition in respect of strong positive cash flow and profit.

We continue to emphasize our objective of maximizing value for shareholders. We seek to do this through a joint exploration and acquisition strategy.

- We continue to actively invest in exploration projects with the potential for large discoveries. Basically we seek to leverage ourselves to exploration success.
- We will grow through the acquisition of producing assets which we believe are undervalued and/or where we can add value through our technical knowledge.

**Acquisition of OER**

In January 2003 we acquired a 75% interest in OER Oil AS, a start up Norwegian oil company for a cash consideration of NOK 30 million. At the same time OER acquired minority interests in the Njord and Brage fields offshore Norway producing in excess of 2,000 boepd and with net recoverable reserves of 5 million boe. We believe that OER has now the opportunity to expand through further acquisitions of producing properties. Lundin Petroleum will provide continued financial support particularly through access to third party bank finance to fund such growth.

**Sale of Sudan Block 5A**

We have agreed to sell our 40.375% working interest in Block 5A, onshore Sudan to Petronas Carigali Overseas Sdn Bhd for a

cash consideration of USD 142.5 million. I believe this is an excellent deal for Lundin Petroleum. The deal not only puts a strong premium on the undeveloped Thar Jath discovery but puts significant value on the upside exploration potential of the area. We will retain our 24.5% interest in Block 5B thereby retaining upside exposure to the area without the short term capital requirements needed to develop Block 5A. We expect that the sale will result in an approximate USD 100 million profit in the second quarter of 2003. In addition, the cash proceeds will significantly strengthen our balance sheet and allow us to take advantage of various acquisition opportunities in the market to grow the Company. I think that the deal is also a clear vindication of our exploration strategy and shows that international oil companies will pay a significant premium to acquire oil and gas reserves particularly with upside exploration potential.

**Exploration**

Despite the sale of Block 5A the Company retains an extensive exploration portfolio with an active programme during 2003. An update of our worldwide exploration programme follows:

- In the Paris Basin, France, close to our existing production we are drilling the Val des Marais prospect (Lundin Petroleum - 40%) in July which has the potential to double our Paris Basin reserves. The value of incremental reserves in this developed area with existing infrastructure is material to the Company.

- In Iran we have completed 537 km of 2D seismic on the Munir Block. Two major structures have already been identified and a two well back to back drilling campaign will begin in the fourth quarter.
- In Albania the proposed drilling campaign will be delayed due to the acquisition of our joint venture partner Preussag by OMV. It is likely that there will still be drilling activity in Albania, albeit, potentially on an alternative location.
- In Indonesia we are completing 2D seismic acquisition programs on our Blora and Banyumas concessions with a view to firming up a 2004 drilling campaign. On the Lematang Block, on South Sumatra, it is now likely, that Banteng, a large gas prospect with potential most likely gross reserves of over 500 bcf will be drilled in the latter part of 2003.
- Also in Indonesia, the infill drilling program on Salawati is enhancing production levels and a 3D seismic programme is underway. Exploratory drilling is expected to start once the new seismic has been interpreted towards the end of the year.
- In Sudan the positive developments from a security perspective have enabled a resumption of operations in Block 5A. We hope this will lead to an early commencement of operations in Block 5B where there are major prospects which can be drilled without further seismic.

at an average rate of 16,425 boepd generating operating cash flow of MSEK 161.1 (MUSD 18.8) and net profit of MSEK 95.6 (MUSD 11.2). The financial results were essentially in line with expectations. We were negatively impacted by the Venezuela situation, particularly the delay of drilling development wells, which negatively impacted our production during the period. Our production in Tunisia and Indonesia was ahead of forecast.

### **Oil Price**

The oil price was strong during the first quarter of 2003 as a result of the Iraq conflict and the disturbances to Venezuela supply. OPEC has a strong incentive to continue to stabilize the market which it has successfully achieved over the past few years. As such we remain positive in the short term that oil prices will remain in the OPEC USD 22 - USD 28/bbl price band. In the longer term world economic activity will eventually recover and demand for petroleum products will continue to increase.

We believe fundamentally that access to major reserves and production is the key to achieving explosive growth and we will continue to invest to meet this objective.

Yours sincerely,

C. Ashley Heppenstall  
President

### **Financial Results**

We are now experiencing the financial benefits of the Coparex acquisition. During the first three months of 2003 the Company produced

## **OPERATIONS**

### **Iran**

In January 2003, a 537 km program of new 2D seismic was completed. Most of the first quarter was dedicated to processing and interpreting the newly acquired seismic data. In parallel, drilling operations preparation is ongoing with the first exploratory well due to spud in the fourth quarter of 2003. Preliminary seismic interpretation results have identified several drilling prospects, including two well defined large four way dip closures both of which have the potential to contain estimated gross recoverable reserves of over one billion barrels of oil. Both prospects are located close to existing multi billion barrel fields.

### **Sudan**

After a period of suspension due to security problems the Block 5A joint venture has agreed to resume operations due to an improvement in the security situation. The approved work programme calls for the drilling of two new appraisal wells and one exploration well. Drilling preparations are currently ongoing.

There are currently no ongoing operations in Block 5B.

### **France**

Preparations are ongoing for the drilling of one new development well followed by one new exploration well ("Val des Marais") in the Paris Basin. Drilling operations are due to start in June of this year.

An ongoing workover program is proceeding in the Paris Basin to maintain production levels which are slightly below forecast.

In the Aquitaine Basin a new development well planned for the second quarter on the

Les Pins field is expected to positively impact production which currently continues in line with expectation.

### **The Netherlands**

During the first quarter of 2003, one exploration well (Groot - Wyngarden) was drilled with disappointing results and was plugged and abandoned. Development drilling programs are ongoing.

### **Tunisia**

During the first quarter of 2003 the gas injection process was tested and successfully implemented on the Isis-7 horizontal well. This has resulted in an overall field oil production increase of over 10% with current gross production above 6,200 bopd. Studies are ongoing to review the option to further develop the Isis field with the drilling of new development wells. Current production is well above expectation.

In parallel, studies are ongoing for the potential development of the Oudna field, offshore Tunisia.

### **Indonesia**

Banyumas (Java): A new 490 km seismic program has begun and is planned to be completed in May of this year.

Blora (Java): Preparation is ongoing for the acquisition of a new 2D seismic program

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 on Salawati Basin is ongoing and yielding positive results

to current production levels. In parallel, during the first quarter of this year, 3D seismic acquisition preparation started with anticipated acquisition start up towards June of this year. Three separate 3D seismic programs will be acquired this year in Salawati Island and Basin.

### **Venezuela**

The political disturbances during the first quarter directly affected our operations in Venezuela. We lost approximately one month of production during December 2002/January 2003 and our planned development drilling program was delayed. Production is now at about 80% of the forecast gross production level of 20,000 bopd. The drilling of two new development wells program was delayed due to the ongoing strike and are now due to spud towards May of this year. It is anticipated that production will reach the forecast 20,000 bopd level towards the 3rd quarter of this year on completion of the planned new development wells.

### **RESULT AND CASH FLOW**

The results for the consolidated financial statements of Lundin Petroleum AB (Lundin Petroleum or the Group) are presented for the three month period ended 31 March 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 quarter results.

### **The Group**

Lundin Petroleum reports a profit for the first quarter of 2003 of MSEK 95.6 (MSEK -16.6) and an operating cash flow of MSEK 161.1 (MSEK 1.5).

Net sales of oil and gas for the quarter ended 31 March 2003 amounted to MSEK 341.3 (MSEK nil). Production for the quarter ended 31 March 2003 amounted to 1,410,916 barrels of oil equivalent (boe) representing 16,425 boe per day (boepd). The average price achieved for a barrel of oil equivalent for the year ended 31 March 2003 amounted to USD 28.32. 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 quarter amounted to USD 31.49 resulting in a cost under the hedge agreement of MSEK 12.4.

### **France**

Oil sales for the quarter ended 31 March 2003 amounted to MSEK 92.2 (MSEK nil). Production from France amounted to 383,160 boe or 4,257 boepd for the quarter ended 31 March 2003. The average price achieved for the sales amounted to USD 27.66 per barrel for the quarter ended 31 March 2003.

### **Netherlands**

Gas sales for the quarter ended 31 March 2003 amounted to MSEK 55.9 (MSEK nil). Gas production from fields on- and offshore The Netherlands amounted to 273,870 boe or 3,043 boe per day for the quarter ended 31 March 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 23.85 per boe for the quarter ended 31 March 2003.

### **Tunisia**

Oil sales for the quarter ended 31 March 2003 amounted to MSEK 76.9 (MSEK nil). Production from onshore Tunisia amounted to 24,480 boe or 272 boe per day. Production from offshore Tunisia amounted to 198,203 boe or 2,202 boe per day. The average price achieved for the

sales amounted to USD 30.45 per barrel for the quarter ended 31 March 2003.

### **Norway**

Oil sales for the quarter ended 31 March 2003 amounted to MSEK 27.7 (MSEK nil). Production from Norway amounted to 128,161 boe or 2,172 boepd for the 59 days the assets were owned. The average price achieved for sales amounted to USD 31.29 per barrel for the quarter ended 31 March 2003.

### **Indonesia**

Oil sales for the quarter ended 31 March 2003 amounted to MSEK 69.6 (MSEK nil). Production from Indonesia amounted to 215,820 boe or 2,398 boepd for the quarter ended 31 March 2003. The average price achieved for the sales amounted to USD 30.41 per barrel for the quarter ended 31 March 2003.

### **Venezuela**

Income from Venezuela relates to an operating fee received based upon production from the Colon block. The fee earned for the quarter ended 31 March 2003 amounted to MSEK 20.8 (MSEK nil). Production for the quarter ended 31 March 2003 amounted to 187,222 boe or 2,080 boepd. An additional part of the fee is for interest on unrecovered capital expenditure which amounted to MSEK 1.3 (MSEK nil) and is included in the financial statements within interest income.

Other operating income for the quarter ended 31 March 2003 amounted to MSEK 16.7 (MSEK 1.6). This amount includes service income from the operated joint venture in Sudan of MSEK 0.3 (MSEK 1.6) and the recovery of past exploration costs in Tunisia of MSEK 11.4 (MSEK nil). Other income also includes tariff income from France and The Netherlands and

income for maintaining strategic inventory levels in France.

Production costs for the quarter ended 31 March 2003 amounted to MSEK 151.3 (MSEK nil). Costs of operations amounted to MSEK 76.1 (MSEK nil) for the quarter ended 31 March 2003. Tariff and transportation expenses amounted to MSEK 20.7 for the quarter ended 31 March 2003. Royalty and production taxes are direct cash taxes levied on production. The charge for royalty and direct taxes amounted to MSEK 8.2 for the quarter ended 31 March 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 its share of production within a period. The change in inventory and overlift position amounted to MSEK 46.3 (MSEK nil) for the quarter ended 31 March 2003.

Other income for the quarter ended 31 March 2003 amounted to MSEK 1.3 (MSEK 1.2) and represents fees and costs recovered by Lundin Petroleum from third parties.

General and administrative expenses for the quarter ended 31 March 2003 amounted to MSEK 30.8 (MSEK 13.5). The increase in expenditure in the first quarter reflects, primarily, the corporate costs incurred by the acquired Coparex companies. Plans to reduce these costs are underway, including the closure of the Paris office, which has resulted in restructuring costs of MSEK 16.3 being accrued. The closure of the Paris office will be completed in the second quarter of 2003 and no further restructuring costs are expected to be incurred.

Net financial income and expenses for the quarter ended 31 March 2003 amounted to MSEK 24.9 (MSEK -10.9). Interest income amounted to MSEK 2.5 (MSEK 1.3). Interest expense for the first quarter amounted to MSEK 13.8 (MSEK 0.0). Exchange gains and losses amounted to MSEK 39.6 (MSEK -12.1) and relate primarily to the revaluation of the US dollar loan facility into the Euro reporting currency of the entities in which the funds are drawn. The exchange loss for the comparative quarter primarily relates to the revaluation of US dollars held in the Parent Company to SEK.

The tax charge for the quarter ended 31 March 2003 amounted to MSEK 41.0 (MSEK 0.0). The tax charge comprises current corporation tax of MSEK 42.6 (MSEK 0.0) partially offset by a release of deferred tax provision of MSEK 4.6 (MSEK nil) and petroleum taxes payable of MSEK 3.0 (MSEK nil). The current corporation tax charge for the quarter ended 31 March 2003 included an amount of MSEK 5.3 being tax payable on unrealised foreign exchange differences.

### **Tangible fixed assets**

Tangible fixed assets as at 31 March amounted to MSEK 2,125.0 (MSEK 2,045.6) of which MSEK 2,065.3 (MSEK 1,988.9) relates to oil and gas properties. The acquisition of the offshore Norway fields was recorded at a cost of MSEK 84.0. Capital expenditure of MSEK 11.7 was incurred on exploration activities in Sudan and a further MSEK 13.5 was incurred in Iran on the completion of the 2D seismic.

### **Financial fixed assets**

Financial fixed assets as at 31 March 2003 amounted to MSEK 114.5 (MSEK 103.6). An amount of MSEK 45.7 (MSEK 54.2) represents cash collateralisation of bank guarantees to cover future joint venture work commitments.

An amount of MUSD 0.8 or MSEK 7.1 was released from the cash collateralisation during the first quarter representing the decreased working interest in the Munir Block. Included in financial fixed assets as at 31 March 2003 is an amount of MNOK 16.5 or MSEK 19.3 representing cash deposited as security for future site restoration costs for fields held in offshore Norway. Shares in associated companies of MSEK 21.8 (MSEK 21.5) relates primarily to an investment in a company owning gas infrastructure in The Netherlands.

### **Current receivables and inventories**

Current receivables and inventories amounted to MSEK 409.0 (MSEK 345.5) as at 31 March 2003. Inventories, including hydrocarbons and consumable well supplies amounted to MSEK 36.1 (MSEK 45.6) as at 31 March 2003. Trade receivables amounted to MSEK 245.8 (MSEK 118.1) as at 31 March 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 31 March 2003 amounted to MSEK 341.0 (MSEK 247.8).

### **Minority interest**

Minority interest amounts to MSEK 11.3 (MSEK 2.5) as at 31 March 2003. The minority interest represents the portion of fully consolidated subsidiaries not owned by Lundin. Lundin owns 75% of OER Oil AS and 99.8% of Lundin International SA.

### **Provisions**

As at 31 March 2003, provisions amounted to MSEK 326.2 (MSEK 326.1). This amount includes a provision for site restoration of MSEK 60.3 (MSEK 58.4) and a provision for deferred tax of MSEK 259.5 (MSEK 261.7).



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

Long term interest bearing debt amounted to MSEK 1,045.2 (MSEK 1,067.2) as at 31 March 2003. Lundin Petroleum has entered into a seven-year term and revolving credit facility agreement to borrow up to MUSD 130 (MSEK 1,106). An amount of MUSD 124 (MSEK 1,085) was drawn under this facility during 2002 on the acquisition of Lundin International SA. An amount of MUSD 2.1 (MSEK 18.4) was repaid on 31 December 2002. Long-term interest bearing debt also includes an amount of MSEK 11.1 (MSEK 12.7) being the amounts outstanding under the property finance lease.

### **Current liabilities**

Current liabilities as at 31 March 2003 amount to MSEK 601.8 (MSEK 415.5). Included within current liabilities is MSEK 64.5 (MSEK 85.9) representing trade payables and MSEK 182.3 (MSEK 92.5) of current tax payables. Other current liabilities include an accrual of MSEK 109.4 for outstanding consideration for the acquisition of Lundin International SA. Of this amount, MSEK 59.0 relates to the portion of the original acquisition price dependent upon the performance of certain offshore Tunisian assets. Current liabilities also include an amount of MSEK 9.2 (MSEK 9.2) being the current portion of the amount outstanding under the property finance lease.

### **Parent Company**

The net result for the parent company amounted to MSEK 7.2 (MSEK -18.0) for the three months ended 31 March 2003.

Administrative expenses of MSEK 14.5 (MSEK 10.0) were offset by net financial income and expenses of MSEK 20.9 (MSEK -10.8). Financial income included a gain of MSEK 12.9

recorded on the contribution of the shares of Lundin Holdings BV to Lundin Petroleum BV and interest income of MSEK 7.9 derived from loans to subsidiary companies.

### **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.

As part of its bank financing agreement, the Group has also 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 May 2002 all serving Directors were re-elected and Alex Schneiter was newly elected to the Board.

**SHARE DATA**

Lundin Petroleum AB's registered share capital at 31 March 2003 amounts to SEK 2,486,850.16 represented by 248,685,016 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 31 March 2003, 667,700 warrants had been exercised and 2,323,150 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 31 March 2003, 3,140,000 incentive warrants had been issued.

**SUBSEQUENT EVENTS**

On 25 April 2003, Lundin Petroleum signed a sale and purchase agreement with Petronas Carigali Overseas Sdn Bhd for the sale of its 40.375% working interest in Block 5A, Sudan. The cash consideration payable at completion will be MUS\$ 142.5 with an adjustment for working capital at 31 March 2003. Completion of the transaction is subject to various conditions including Government and partner approvals.

**Exchange rates**

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

	Average	Period end
1 Euro equals SEK	9.183	9.261
1 USD equals SEK	8.563	8.505

**Accounting principals**

The First Quarter 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. The accounting principals and policies used in the preparation of the First Quarter Report are consistent with those used for the preparation of the Annual Financial Statements.

## CONSOLIDATED INCOME STATEMENT IN SUMMARY

Expressed in TSEK	Note	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2002– 31 Mar 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
<b>Operating income</b>				
Net sales of oil and gas	1	341,292	-	284,905
Other operating income		16,672	1,552	10,939
		<b>357,964</b>	1,552	295,844
<b>Cost of sales</b>				
Production costs	2	-151,326	-	-149,038
Depletion of oil and gas properties	3	-50,453	-	-53,591
Gross profit		<b>156,185</b>	1,552	93,215
Other income		1,326	1,235	10,247
Administration expenses		-30,776	-13,526	-75,970
Restructuring costs		-16,263	-	-20,275
<b>Operating result</b>		<b>110,472</b>	-10,739	7,217
<b>Financial income and expenses, net</b>				
	4	24,947	-10,850	1,816
<b>Result before tax</b>		<b>135,419</b>	-21,589	9,033
<b>Tax</b>	5	-40,951	-71	-26,362
<b>Minority interests</b>		1,149	-	765
<b>Net result</b>		<b>95,617</b>	-21,660	-16,564
Earnings per share - SEK		0.38	-0.07	-0.07
Diluted earnings per share - SEK		0.38	-0.07	-0.07

## CONSOLIDATED BALANCE SHEET IN SUMMARY

Expressed in TSEK	Note	31 March 2003	31 December 2002
<b>ASSETS</b>			
<b>Tangible fixed assets</b>			
Oil and gas properties	6	2,065,343	1,988,933
Other fixed assets		59,663	56,656
<b>Total tangible fixed assets</b>		2,125,006	2,045,589
<b>Financial fixed assets</b>	7	114,533	103,586
<b>Total fixed assets</b>		<b>2,239,539</b>	2,149,175
<b>Current Assets</b>			
Current receivables and inventories	8	409,016	345,480
Cash and bank, short term investments		341,026	247,776
<b>Total current assets</b>		<b>750,042</b>	593,256
<b>Total assets</b>		<b>2,989,581</b>	2,742,431
 <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity including net result for the period</b>		1,004,895	931,112
<b>Minority interest</b>		11,284	2,525
<b>Provisions</b>		326,201	326,130
<b>Long-term interest bearing debt</b>		1,045,369	1,067,177
<b>Current liabilities</b>	9	601,832	415,487
<b>Total shareholders' equity and liabilities</b>		<b>2,989,581</b>	2,742,431
<b>Pledged assets</b>		332,879	247,779
<b>Contingent liabilities</b>		-	-

## GROUP CASH FLOW STATEMENT IN SUMMARY

Expressed in TSEK	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2002– 31 Mar 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
<b>Cash flow from operations</b>			
Net result	95,617	-21,660	-16,564
Adjustment for depletion and other non cash related items	5,973	11,710	105,589
Changes in working capital	113,153	-15,458	164,095
<b>Total cash flow from operations</b>	<b>214,743</b>	-25,408	253,120
Acquisition of shares in subsidiaries	0	-	-1,213,010
Change in financial fixed assets	-12,246	161,405	158,829
Investment in oil and gas properties	-105,396	-48,826	-160,836
Investment in other fixed assets	-4,329	-8,485	-10,128
<b>Total cash flow used for investments</b>	<b>-121,971</b>	104,094	-1,225,145
Changes in long-term liabilities	-1,669	-	836,805
Paid deferred financing fees	-	-	-17,774
Proceeds from share issues	-	-	160,240
Other financing activities	-	-	-4,102
<b>Total cash flow from financing</b>	<b>-1,669</b>	-	975,169
<b>Change in cash and bank</b>	<b>91,103</b>	78,686	3,144
Cash and bank at the beginning of the period	247,776	301,519	301,519
Currency exchange difference in cash and bank	2,147	-12,603	-56,887
<b>Cash and bank at the end of the period</b>	<b>341,026</b>	367,602	247,776

## NOTES

<b>Note 1. Net sales of oil and gas,</b> TSEK	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2002– 31 Mar 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
Sale of crude oil			
- France	92,198	-	104,970
- Tunisia	76,918	-	35,962
- Indonesia	69,571	-	70,770
- Norway	27,660	-	-
Sale of condensate			
- Netherlands	-	-	873
- Norway	387	-	-
Sale of gas			
- Netherlands	55,889	-	58,679
- Indonesia	413	-	335
- Norway	459	-	-
Operating fee			
- Venezuela	20,781	-	21,667
Oil price hedging settlement	-12,397	-	-
Change in underlift position	9,413	-	- 8,351
	<b>341,292</b>	-	284,905

<b>Note 2. Production costs,</b> TSEK	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2002– 31 Mar 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
Costs of operations	76,102	-	116,080
Tariff and transportation expenses	20,688	-	5,084
Royalty and direct taxes	8,194	-	8,162
Changes in inventory/overlift position	46,342	-	19,712
	<b>151,326</b>	-	149,038

<b>Note 3. Depletion of oil and gas properties</b> TSEK	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2002– 31 Mar 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
France	17,215	-	20,108
Netherlands	17,095	-	19,988
Venezuela	4,585	-	4,332
Tunisia	5,487	-	6,475
Indonesia	2,437	-	2,688
Norway	3,634	-	-
	<b>50,453</b>	-	53,591

<b>Note 4. Financial income and expenses, net, TSEK</b>	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2002– 31 Mar 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
Interest income	2,510	1,259	10,237
Interest expense	-13,774	-9	-14,013
Amortisation of loan fees	-570	-	-582
Unwind discount on abandonment provision	-1,469	-	-1,746
Exchange gains/(losses), net	39,616	-12,100	-210
Other financial income/(expense), net	-1,366	-	8,130
	<b>24,947</b>	-10,850	1,816

<b>Note 5. Taxes, TSEK</b>	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2002– 31 Mar 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
Current corporate tax	42,556	71	29,567
Deferred corporate tax	-4,571	-	-5,308
Current state profit share tax	2,966	-	2,103
	<b>40,951</b>	71	26,362

<b>Note 6. Oil and gas properties, TSEK</b>	Book amount 31 Mar 2003	Book amount 31 Dec 2002
France	847,838	864,266
Netherlands	518,247	522,978
Tunisia	52,495	61,230
Indonesia	24,556	20,115
Venezuela	106,256	101,820
Norway	80,331	-
Sudan	374,546	372,790
Iran	58,980	44,765
Others	2,094	969
	<b>2,065,343</b>	1,988,933

<b>Note 7. Financial fixed assets, TSEK</b>	Book amount 31 Mar 2003	Book amount 31 Dec 2002
Shares in associated companies	21,752	21,535
Restricted cash	64,974	54,176
Deferred financing fees	15,512	15,926
Other financial fixed assets	12,295	11,949
	<b>114,533</b>	<b>103,586</b>

<b>Note 8. Current receivables and inventories, TSEK</b>	Book amount 31 Mar 2003	Book amount 31 Dec 2002
Inventories	36,103	45,562
Trade receivables	245,774	118,067
Underlift	13,436	4,309
Joint venture debtors	59,108	69,031
Cash deposit for OER Oil AS acquisition	-	37,407
Other current assets	54,595	71,104
	<b>409,016</b>	<b>345,480</b>

<b>Note 9. Current liabilities, TSEK</b>	Book amount 31 Mar 2003	Book amount 31 Dec 2002
Trade payables	64,471	85,851
Overlift	39,752	22,164
Short term portion of long term liabilities	9,279	9,186
Tax payables	182,296	92,530
Accrued expenses	109,205	64,143
Acquisition liability	109,362	109,362
Other current liabilities	87,467	32,251
	<b>601,832</b>	<b>415,487</b>



PARENT COMPANY INCOME STATEMENT IN SUMMARY

Expressed in TSEK	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2002– 31 Mar 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
Service income	658	2,727	3,710
<b>Gross profit</b>	<b>658</b>	2,727	3,710
Other income	122	53	405
General and administrative expenses	-14,461	-9,981	-55,627
<b>Operating loss</b>	<b>-13,681</b>	-7,201	-51,512
Financial income and expenses, net	20,916	-10,818	-29,392
<b>Net result before tax</b>	<b>7,235</b>	-18,019	-80,904
Tax	-	-	-
<b>Net result</b>	<b>7,235</b>	-18,019	-80,904

## PARENT COMPANY BALANCE SHEET IN SUMMARY

Expressed in TSEK	31 March 2003	31 December 2002
<b>ASSETS</b>		
<b>Tangible fixed assets</b>	43	49
<b>Financial fixed assets</b>	983,666	967,309
<b>Total fixed assets</b>	<b>983,709</b>	967,358
<b>Current Assets</b>		
Current receivables	1,913	1,862
Cash and bank, short term investments	394	2,081
<b>Total current assets</b>	<b>2,307</b>	3,943
<b>Total assets</b>	<b>986,016</b>	971,301
 <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity including net result for the period</b>	957,610	950,375
<b>Current liabilities</b>	28,406	20,926
<b>Total shareholders' equity and liabilities</b>	<b>986,016</b>	971,301
<b>Pledged assets</b>	332,879	247,779
<b>Contingent liabilities</b>	-	-

PARENT COMPANY CASH FLOW STATEMENT IN SUMMARY

Expressed in TSEK	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2002– 31 Mar 2002 3 months	1 Jan 2002– 31 Dec 2002 12 months
<b>Cash flow from operations</b>			
Net result	7,235	-18,019	-80,904
Adjustment for non cash related items	-12,892	10,965	48,450
Changes in working capital	3,970	-11,960	15,203
<b>Total cash flow from operations</b>	<b>-1,687</b>	-19,014	-17,251
Investment in shares in subsidiaries	-	-	-170,908
Loans to subsidiary companies	-	-	-310,725
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>-</b>	194,827	-286,806
Proceeds from share issue	-	-	160,241
<b>Total cash flow from financing</b>	<b>-</b>	-	160,241
<b>Change in cash and bank</b>	<b>-1,687</b>	175,813	-143,816
Cash and bank at the beginning of the period	2,081	193,683	193,683
Currency exchange difference Bank	-	-10,317	-47,786
<b>Cash and bank at the end of the period</b>	<b>394</b>	359,179	2,081

## STATEMENT OF CHANGES IN EQUITY

### GROUP

Expressed in TSEK	Share Capital	Restricted reserves	Retained earnings	Net result
Balance at 1 January 2002	2,124	922,331	-	-41,988
Transfer of prior year net result	-	-41,988	-	41,988
New share issue	363	159,878	-	-
Dividend paid to minority shareholders in subsidiary	-	-	-972	-
Currency translation difference	-	-109,698	15,637	-
Net result	-	-	-	-16,564
<b>Balance at 1 January 2003</b>	<b>2,487</b>	<b>930,523</b>	<b>14,665</b>	<b>-16,564</b>
Transfer of prior year net result	-	-	-16,564	16,564
Currency translation difference	-	-8,813	-13,020	-
Net result	-	-	-	95,617
<b>Balance at 31 March 2003</b>	<b>2,487</b>	<b>921,710</b>	<b>-14,919</b>	<b>95,617</b>

### PARENT COMPANY

Expressed in TSEK	Share capital	Share premium reserve	Legal reserve	Retained earnings	Net result
Balance at 1 January 2002	2,124	910,355	-	-	-41,440
Transfer of prior year net result	-	-41,440	-	-	41,440
New share issue	363	159,878	-	-	-
Net result	-	-	-	-	-80,904
<b>Balance at 1 January 2003</b>	<b>2,487</b>	<b>1,028,792</b>	<b>-</b>	<b>-</b>	<b>-80,904</b>
Transfer of prior year net result	-	-	-	-80,904	80,904
Net result	-	-	-	-	7,235
<b>Balance at 31 March 2003</b>	<b>2,487</b>	<b>1,028,792</b>	<b>-</b>	<b>-80,904</b>	<b>7,235</b>

	<b>Group</b> 1 Jan 2003– 31 Mar 2003 3 months	<b>Group</b> 1 Jan 2002– 31 Mar 2002 3 months	<b>Group</b> 1 Jan 2002– 31 Dec 2002 12 months
Return on equity, % <sup>1</sup>	10	0	-2
Return on capital employed, % <sup>2</sup>	5	0	-3
Debt/equity ratio, % <sup>3</sup>	70	-	89
Equity ratio, % <sup>4</sup>	34	97	34
Share of risk capital, % <sup>5</sup>	43	97	44
Interest coverage ratio, % <sup>6</sup>	1,099	-	-342
Operating cash flow/interest expenses, % <sup>7</sup>	1,189	-	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.

## DATA PER SHARE

	<b>Group</b> 1 Jan 2003– 31 Mar 2003 3 months	<b>Group</b> 1 Jan 2002– 31 Mar 2002 3 months	<b>Group</b> 1 Jan 2002– 31 Dec 2002 12 months
Shareholders' equity, SEK <sup>1</sup>	4.0	4.0	3.7
Operating cash flow, SEK <sup>2</sup>	0.6	0	0.5
Cash flow used in operations, SEK <sup>3</sup>	0.9	-0.1	1.4
Earnings, SEK <sup>4</sup>	0.4	-0.1	-0.1
Earnings, (fully diluted), SEK <sup>5</sup>	0.4	-0.1	-0.1
Dividend, SEK	-	-	-
Quoted price at the end of the financial period (regards the parent company), SEK	9.35	3.51	9.20
Number of shares at period end	248,685,016	212,407,568	248,685,016
Weighted average number of shares for the period <sup>6</sup>	248,685,016	212,407,568	232,150,181
Weighted average number of shares for the period (fully diluted) <sup>5</sup>	251,589,765	212,763,135	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.

**The Company will publish the following interim reports:**

- Six months report (January – June 2003) will be published on 14 August 2003.
- Nine months report (January – September 2003) will be published on 14 November 2003.
- The annual report 2002 is available at the Stockholm office or at the Company's web page, [www.lundin-petroleum.com](http://www.lundin-petroleum.com)

The Annual General Meeting will be held the 23 May 2003 at Operaterrassen Stockholm.

Stockholm 15 May 2003  
C. Ashley Heppenstall  
President and CEO

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

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The Lundin logo features the word "Lundin" in a bold, italicized, sans-serif font. The letters are white with a black outline, set against a black rectangular background. The background of the entire page is a blue-tinted photograph of an oil pumpjack at dusk or dawn, with a rainbow visible in the sky.

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