Lundin Petroleum AB (publ)

REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2004

	Q1 2004 3 months	Q1 2003 3 months	Year end 2003 12 months
• Production in boepd	20,072	16,425	16,062
• Turnover in MSEK	400.4	358.0	1,120.5
• Net profit in MSEK	73.4	95.6	930.2
• Diluted earnings/share in SEK	0.29	0.38	3.71
• Operating cash flow in MSEK	179.2	161.1	634.6
• Gain on sale Sudan Block 5A in MSEK	–	–	720.1
• Forecasted Group net profit 2004[1]			SEK 380 million
• Forecasted Group operating cash flow 2004[1]			SEK 950 million

[1]An exchange rate for USD/SEK of 7.6 has been used to arrive at the SEK amount

Dear fellow shareholders:

We have begun 2004 very positively and the prospects for the rest of the year look good. The oil industry has been in the forefront of the international news with strong demand and uncertain supply driving oil prices to record new highs. We have clearly benefited from the strong prices. However, more important for us is that we completed the acquisition of DNO's United Kingdom (UK) and Irish assets in February and are close to completing the acquisition of DNO's Norwegian assets. Coupled with this, our first exploration well in 2004 in Norway was a big success.

Acquisition of DNO Assets

On February 13, 2004 we completed the purchase of DNO's assets in the UK and Ireland. We expect to complete the acquisition of the Norwegian assets before the end of the second quarter of 2004 following the receipt of final approvals.

The acquisition is extremely important for Lundin Petroleum increasing our forecast production to 40,000 boepd by year end 2004 and doubling our reserves to 137 million boe.

The major element of the acquisition is DNO's UK offshore assets. Current production is from the mature Heather and Thistle fields but the big value generating asset is the Broom field in which we have a 55% operated interest. The three production wells for the Broom field development are pre-drilled and the installation of the sub sea pipeline is taking place as we write.

First production is expected from Broom in the third quarter of 2004 at a rate in excess of 20,000 bopd. Clearly in the current oil price environment this additional production will have a material impact on Lundin Petroleum's profitability and operating cash flow.

In Norway we see lots of opportunities for new entrants such as Lundin Petroleum. We acquired production interests in Norway last year following our acquisition of a 75% shareholding in OER oil AS (OER). We have now added to this through the acquisition of the majority of DNO's Norwegian assets, which not only includes production but also development and exploration assets. The main asset in Norway is the Alvheim development (Lundin Petroleum 15%) operated by Marathon which is expected to begin production in 2006 at a rate in excess of 80,000 bopd. During the first quarter of 2004 we had exploration success with the Hamsun discovery (Lundin Petroleum 35%). The discovery close to the Alvheim development, was appraised with three sidetrack wells and we now expect a fast track development utilizing the Alvheim production facilities. We are very pleased that the first well in our active 2004 exploration programme has delivered such positive results.

In Ireland, which represented less than 10% of the DNO acquisition value, we have had negative results. Production from the Seven Heads gas project is well below budget. It appears that the geological model used for the development planning was incorrect and, as such, the recoverable volumes from the field will be less than originally forecast. Whilst we are disappointed with these results this asset will not have a material impact on the performance of the company.

Financial Results

For the first quarter of 2004 Lundin Petroleum produced a net profit after tax of MSEK 73.4 and an operating cashflow of MSEK 179.2. Excluding foreign exchange movements the net profit for the first quarter of 2004 increased by over 50% against the comparable quarter of last year. We are pleased with these financial results which are in line with our expectations.

The United Kingdom and Irish assets acquired from DNO were only included for a 47 day period during the first quarter of 2004. Our production for the first quarter of 2004 averaged 20,072 boepd and would have averaged 24,261 boepd had the UK and Irish assets been owned for the whole quarter.

The financial results have been positively impacted by the strong oil price and negatively impacted by the weakening of the United States dollar which has increased the costs of our European operations in US dollar terms.

Our financial forecasts for 2004 of a net profit of USD 50 million (SEK 380 million) and an operating cashflow of USD 125 million (SEK 950 million) are still expected assuming a USD 25.00 per barrel oil price for 2004. However, the major contribution to our results will be experienced in the second half of 2004 following production start up from the Broom field and completion of the DNO Norwegian acquisition.

Future Prospects

We propose to continue with our proven growth strategy through acquisition and exploration. Whilst it is becoming increasingly more difficult to complete acquisitions we still have opportunities in the "pipeline" and I am hopeful this will result in further deals during the year.

Nevertheless, we now expect a major portion of our growth be generated internally. In the United Kingdom with the Broom development, in Norway with Alvheim and Hamsun, and in Tunisia with the Oudna development we have projects which will deliver near term production growth. In tandem, we have an active exploration programme in 2004 with wells to be drilled in Iran, Indonesia, France and the Netherlands which hopefully will add to our successes in Norway.

We also expect the oil price to remain strong. We have experienced strong demand increases from the developing world particularly China and India which we expect to continue. In the United States the appetite for petroleum products continues with economic recovery having a further positive effect. On the supply side OPEC remains extremely disciplined and, as it is becoming more apparent, are producing at or close to capacity. Questions are beginning to be asked regarding the continued ability of the world's producers to meet current and future oil demand particularly in the current geopolitical scenario, and especially should there be any interruptions to supply. This scenario has now been reflected for the first time in the oil futures markets with longer term oil trading at USD25 - USD30 per barrel. If we are correct in our prognosis then the longer term profitability, cash flow and hence valuations of oil producing companies will have to be adjusted to reflect such oil prices. We cannot control the movement of oil prices but believe that if we continue to add oil reserves and production then this will ultimately create value for our shareholders.

Best regards,

C. Ashley Heppenstall

President and Chief Executive Officer

OPERATIONS

United Kingdom

Lundin Petroleum benefited from only six weeks of production from the United Kingdom during the first quarter following the acquisition of the UK assets from DNO on 13 February 2004. However, the assets have been well integrated into Lundin Petroleum's international portfolio.

Good progress has been made on the Broom field development which remains forecast to come on-stream during the third quarter of 2004 at a production rate in excess of 20,000 bopd. Following the completion of the DNO acquisition Lundin brought forward the drilling of the first Broom injection well which has subsequently been successfully completed.

Production from the Heather and Thistle fields is below forecast due to ongoing compressor and gas turbine problems. Production on Heather has also been negatively impacted by planned shutdowns in relation to facilities modifications required as part of the Broom field development.

Lundin has committed to a USD 16.2 million (SEK 123.1 million) three well workover program on the Thistle field to be completed in the second half of 2004. The results of the workover program will impact future investment on the Thistle field and therefore the potential for extending the life of this mature field.

Norway

In Norway the production from OER (in which Lundin Petroleum has a 75% shareholding) is close to expectations. Brage production is below budget, which has been partially offset by Njord which is performing above expectations.

Excellent progress and results have come from the Norwegian assets to be acquired, subject to government consent, from DNO. The development planning for the Alvheim project is progressing well with government approval expected in the second half of 2004. The Hamsun exploration well in PL150 (Lundin Petroleum 35%) was a successful oil and gas discovery which was appraised by the drilling of three sidetrack wells. It is now likely that the Hamsun discovery will be developed using the Alvheim facilities.

France

Production from France has been close to expectations during the first quarter of 2004.

In the Paris Basin, following the successful completion of a new well on the Merisier Field in 2003, two further development wells are to be drilled in the third quarter of 2004 to further develop the field and add incremental production.

In the Aquitaine Basin the Mimosa exploration well (Lundin Petroleum 50%) has recently spudded. The Mimosa exploration prospect is low risk and close to existing infrastructure. It is expected that further development drilling on the Courbey field will take place during the second half of 2004.

The Netherlands

Production from The Netherlands has exceeded expectations during the first quarter of 2004. The Luttelgeest-1 exploration well on the onshore Lemmer Markness permit (Lundin Petroleum 10%) is due to spud during the second quarter of 2004. The prospect is relatively high risk but has potential recoverable reserves of 1 tcf of gas.

Tunisia

Oil production from the Isis field during the first quarter of 2004 was slightly below forecast particularly due to production equipment restrictions. Debottlenecking of production equipment is to be completed which will have a positive impact on the production going forward.

Discussions continue with the Government in relation to approval for the Oudna field offshore Tunisia. It is planned to utilise the Ikdam FPSO (owned effectively 50% by Lundin Petroleum) as a production vessel for the Oudna field.

The required government approvals for the closing of the sale of Lundin Petroleum's interests in Compagnie Franco-Tunisienne des Pétroles (CFTP) to Spyker Energy SA have been received and closing is expected shortly.

Indonesia

Blora (Java)

Lundin Petroleum will increase its interest in the Blora concessions from 40% to 83.3% following the withdrawal of two partners upon the receipt of governmental approval. Preparations still continue on schedule for the drilling of the PADI-1 exploration well in the third quarter of 2004. The prospect has potential reserves in excess of 50 mmboe.

Banyumas (Java)

Following the acquisition of seismic in 2003 several prospects have been identified. Lundin Petroleum is currently seeking partners in the concession prior to commencing drilling activity.

Lematang (South Sumatra)

Negotiations continue in relation to the finalisation of a gas sales agreement which will enable the development of the Singa field to commence.

Preparations for the commencement of the Banteng exploration well (Lundin Petroleum 15.88%) in the second quarter of 2004 are under way. The Banteng prospect has potential recoverable reserves estimated at 500 bcf.

Salawati Island and Basin

Production from Salawati is in line with expectations. 3-D seismic acquisition is well advanced on Salawati Basin. A program of development drilling is ongoing and further exploration drilling is anticipated later this year based on the results of the seismic.

Venezuela

Production from Venezuela is in line with expectations for the first quarter of 2004.

It is anticipated that a further two development wells will be drilled on the La Palma field during 2004 which will maintain production capacity at or above current levels. We believe that significant further potential exists in relation to exploration prospectivity on the Colon Block.

Iran

In Iran the Seh Qanat-1 well was spudded in late 2003. A suspension of drilling operations during the first quarter of 2004 occurred due to various problems with drilling equipment. Drilling operations have recommenced and are progressing satisfactorily. It is expected that the well will now be completed by the end of the second quarter of 2004. This well will be followed by the drilling of a second exploration well S-1. The two wells have the potential to contain combined recoverable reserves in excess of one billion barrels of oil.

Sudan

Lundin Petroleum has a 24.5% working interest in Block 5B. Recent technical studies have confirmed the existence of a number of major drillable prospects in the Block with large reserve potential. The resumption of field operations is still very much dependent upon security considerations which we hope will be resolved by the conclusion of a peace agreement in Sudan. We hope such an agreement will be concluded in the near future but a resolution on the outstanding issues is taking longer to achieve than we anticipated.

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 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 three month period ended 31 March 2004 for a forty seven day period. 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 three months of MSEK 73.4 (MSEK 95.6) representing earnings per share on a fully diluted basis of SEK 0.29 (SEK 0.38) for the first quarter. Operating cashflow for the three month period ended 31 March 2004 amounted to MSEK 179.2 (MSEK 161.1). Operating cashflow amounted to SEK 0.71 (SEK 0.64) per share (weighted average) for the first quarter of 2004.

The net profit for the first quarter of 2004 has been negatively impacted by net foreign exchange losses of MSEK 16.8. 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.

Net sales of oil and gas for the quarter ended 31 March 2004 amounted to MSEK 392.8 (MSEK 341.3). Production for the period amounted to 1,826,524 barrels of oil equivalent (boe) representing 20,072 boe per day (boepd). The average price achieved for a barrel of oil equivalent for the three month period ended 31 March 2004 amounted to USD 29.91. 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 three month period ended 31 March 2004 amounted to USD 32.03 resulting in a pre-tax negative hedge settlement of MSEK 12.5.

Other operating income for the three month period ended 31 March 2004 amounted to MSEK 7.5 (MSEK 16.7). This amount includes tariff income from France and the Netherlands and income for maintaining strategic inventory levels in France. Also included in other operating income is the portion of operational overhead charge that is paid by partners.

Expressed in TSEK	**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**	**1 Jan 2003– 31 Mar 2003 3 months**
Net profit	73,350	14,735	30,152	789,725	95,617
Exchange movements	16,752	24,192	24,384	-20,321	-39,616
Gain on sale of Sudan	–	–	4,747	-724,845	–
Adjusted net profit	**90,102**	38,927	59,283	44,559	56,001

Sales and production for the three month period ended 31 March 2004 were comprised as follows:

Sales *Average price per barrel given in USD*	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
France			
- Quantity in boe	381,534	390,782	1,436,709
- Average price per boe	30.60	27.67	27.71
Tunisia			
- Quantity in boe	244,046	295,617	723,976
- Average price per boe	28.74	30.45	28.12
Indonesia			
- Quantity in boe	158,955	266,217	727,139
- Average price per boe	29.27	30.22	27.57
Netherlands			
- Quantity in boe	262,935	273,870	864,687
- Average price per boe	24.86	23.85	24.87
Norway			
- Quantity in boe	241,745	100,000	690,466
- Average price per boe	32.31	31.29	28.69
United Kingdom			
- Quantity in boe	296,000	–	–
- Average price per boe	33.41	–	–
Ireland			
- Quantity in boe	56,652	–	–
- Average price per boe	27.00	–	–
Total			
- Quantity in boe	**1,641,867**	1,326,486	4,442,977
- Average price per boe	29.91	28.28	27.35

Income from Venezuela is derived by way of a service fee. For the three month period ended 31 March 2004, Lundin Petroleum received a fee of USD 16.49 per barrel for the 241,900 boe that were sold.

Production	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
France			
- Quantity in boe	406,191	383,160	1,517,749
- Quantity in boepd	4,464	4,257	4,158
Tunisia			
- Quantity in boe	180,382	222,683	851,023
- Quantity in boepd	1,982	2,474	2,332
Indonesia			
- Quantity in boe	205,417	215,820	902,338
- Quantity in boepd	2,257	2,398	2,472
Netherlands			
- Quantity in boe	258,757	273,870	871,994
- Quantity in boepd	2,843	3,043	2,389
Norway			
- Quantity in boe	194,459	128,161	778,012
- Quantity in boepd	2,137	2,172	2,329
Venezuela			
- Quantity in boe	241,900	187,222	869,430
- Quantity in boepd	2,658	2,080	2,382
United Kingdom			
- Quantity in boe	299,819	–	–
- Quantity in boepd	6,379	–	–
Ireland			
- Quantity in boe	39,599	–	–
- Quantity in boepd	843	–	–
Total			
- Quantity in boe	**1,826,524**	1,410,916	5,790,546
- Quantity in boepd	20,072	16,424	16,062

Production costs for the three month period ended 31 March 2004 expressed in US dollars were comprised as follows:

Production cost and depletion in TUSD	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
Cost of operations	21,559	8,887	39,309
Tariff and transportation expenses	3,104	2,416	10,276
Royalty and direct taxes	563	956	3,511
Changes in inventory/overlift	3,419	5,412	-1,143
Total production costs	**28,645**	17,671	51,953
Depletion	7,128	5,892	23,755
Total	**35,773**	23,563	75,708

Production cost and depletion in USD per boe	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
Cost of operations	11.80	6.30	6.79
Tariff and transportation expenses	1.70	1.71	1.77
Royalty and direct taxes	0.31	0.67	0.61
Changes in inventory/overlift	1.87	3.84	-0.20
Total production costs	**15.68**	12.52	8.97
Depletion	3.90	4.18	4.10
Total cost per boe	**19.58**	16.70	13.07

Cost of operations for the three month period ended 31 March 2004 amounted to MSEK 158.3 (MSEK 76.1). 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 quarter of 2004 resulting from planned 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 30.00 per barrel. The Broom field, due 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 three month period ended 31 March 2004 amounted to MSEK 0.8 (MSEK 1.3) and represents fees and costs recovered by Lundin Petroleum from third parties.

General and administrative expenses for the three month period ended 31 March 2004 amounted to MSEK 23.8 (MSEK 47.0). Included within general and administration expenses in the first quarter of

2003 are restructuring costs incurred of MSEK 16.3 related specifically to the redundancy costs associated with the closure of the Paris office.

Net financial income and expenses for the first quarter ended 31 March 2004 amounted to MSEK -23.7 (MSEK 24.9). Interest income for the three month period ended 31 March 2004 amounted to MSEK 2.1 (MSEK 2.5). Interest expense for the period ended 31 March 2004 amounted to MSEK 1.9 (MSEK 8.5). The cost of the interest rate hedge for the period ended 31 March 2004 amounted to MSEK 5.5 (MSEK 5.3). The amortisation of loan fees amounted to MSEK 0.5 (MSEK 0.6) for the three month period ended 31 March 2004. Exchange gains and losses for the period ended 31 March 2004 amounted to MSEK -16.8 (MSEK 39.6). The exchange gains in the first quarter of 2003 relate primarily to the gains on the revaluation of the USD loan facility into the EUR reporting currency of the entities in which the funds are drawn offset by losses on the revaluation of USD bank balances and receivables into their underlying Euro 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. A charge of MSEK 7.0 has been recorded against exchange losses in the three month period ended 31 March 2004 to mark to market the currency swaps that the Group has entered into.

The tax charge for the three month period ended 31 March 2004 amounted to MSEK 15.0 (MSEK 41.0). The tax charge comprises current corporation tax of MSEK 10.4 (MSEK 42.6), a deferred tax charge of MSEK 5.6 (MSEK -4.6), petroleum taxes payable of MSEK 0.5 (MSEK 3.0) and a release of deferred petroleum taxes of MSEK -1.4 (MSEK nil). 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 quarter of 2003 amounted to MSEK 13.2. The utilisation of the acquired tax losses has resulted in there being no current tax charge for OER oil for the first quarter of 2004 but a deferred tax charge for the utilisation of tax losses of MSEK 13.6.

ACQUISITION OF DNO BRITAIN LTD AND LUNDIN IRELAND LTD

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. The acquisition was 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 UK and Irish asset owning companies was recorded in the accounts of Lundin Petroleum from the closing date of 13 February 2004 as follows:

	MSEK	MUSD
Capitalised costs	2,201.0	301.9
Deferred tax asset	191.8	26.3
Current assets	157.6	21.6
Cash	14.7	2.0
Site restoration provision	-287.4	-39.4
Deferred tax liability	-826.7	-113.4
Current liabilities	-221.3	-30.4
Acquisition price	1,229.7	168.6
Loan facility utilised	1,047.1	143.6
Internal funds utilised	182.6	25.0

Tangible fixed assets

Tangible fixed assets as at 31 March 2004 amounted to MSEK 4,216.9 (MSEK 1,873.0) of which MSEK 4,158.6 (MSEK 1,817.6) relates to oil and gas properties. The acquisition of the offshore UK and Irish producing assets was recorded at a cost of MSEK 2,199.2. Development and exploration expenditure incurred for the three month period ended 31 March 2004 can be specified as follows:

Development expenditure *in MSEK*	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
France	-0.5	2.2	71.7
Netherlands	2.0	7.4	26.0
Venezuela	2.5	–	–
Tunisia	0.1	-3.7	1.5
Indonesia	3.7	3.8	19.4
Norway	10.1	–	26.0
Assets acquired from DNO	59.1	–	–
Development expenditure	**77.0**	9.7	144.6

Exploration expenditure *in MSEK*	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
France	1.2	0.2	15.7
Netherlands	0.7	–	6.7
Venezuela	–	0.3	16.3
Tunisia	0.7	–	3.2
Indonesia	10.6	3.9	41.6
Iran	15.1	13.5	35.5
Albania	0.4	1.2	4.6
Norway	–	–	–
Sudan	1.4	11.7	13.9
Assets acquired from DNO	0.7	–	–
Other	3.6	–	3.6
Exploration expenditure	**34.4**	30.8	141.1

Financial fixed assets

Financial fixed assets as at 31 March 2004 amounted to MSEK 333.6 (MSEK 134.0). Included in financial fixed assets as at 31 March 2004 is an amount of MSEK 57.4 (MSEK 56.6) recorded as restricted cash. This amount comprises MSEK 16.5 (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 40.9 (MSEK 38.8) representing cash collateralisation of bank guarantees to cover future joint venture work commitments. Shares in associated companies of MSEK 21.7 (MSEK 21.3) relates primarily to an investment in a company owning gas infrastructure in The Netherlands. Deferred financing fees amounted to MSEK 18.1 (MSEK nil) as at 31 March 2004. The deferred financing fees relate to the credit facility and are being amortised over the period of the loan. A deferred tax asset of MSEK 227.6 (MSEK 48.0) has been recorded as at 31 March 2004 for tax losses acquired through the purchase of OER energy AS for an amount of MSEK 36.0 (MSEK 48.0) and the losses carry forward in the United Kingdom for an amount of MSEK 191.6. Other financial fixed assets amount to MSEK 8.8 (MSEK 8.1) and represent a loan to an associated company and funds held by joint venture partners in anticipation of future expenditures.

Current receivables and inventories

Current receivables and inventories amounted to MSEK 518.1 (MSEK 395.7) as at 31 March 2004. Inventories, including hydrocarbons and consumable well supplies amounted to MSEK 84.8 (MSEK 71.7) as at 31 March 2004. Trade receivables amounted to MSEK 214.6 (MSEK 131.2) as at 31 March 2004. Joint venture debtors amounted to MSEK 69.9 (MSEK 73.0). Other current assets include taxation receivable balances of MSEK 80.7 (MSEK 80.4).

Cash and bank

Cash and bank as at 31 March 2004 amounted to MSEK 132.4 (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 23.1 (MSEK 20.0) as at 31 March 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 31 March 2004, provisions amounted to MSEK 1,515.4 (MSEK 377.6). This amount includes a provision for site restoration of MSEK 418.2 (MSEK 110.6) and a provision for deferred tax of MSEK 1,064.2 (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 credit facility, accounting rules make it necessary to record the market value of the potential cost under the swap. A provision has been recorded at 31 March 2004 of MSEK 18.8 to recognise this potential cost. The provision in relation to the currency hedging contracts amounted to MSEK 7.0.

Long term interest bearing debt

Long term interest bearing debt amounted to MSEK 1,179.5 (MSEK nil) as at 31 March 2004. Lundin Petroleum entered into a seven-year credit facility agreement to borrow up to MUSD 300 (MSEK 2,277) on 12 February 2004. An amount of MUSD 146 (MSEK 1,108.2) (MUSD 146) was drawn under this facility on the acquisition of Lundin Britain Ltd and its subsidiaries and Lundin Ireland

Ltd. Under a separate three year loan facility to OER oil AS, MSEK 71.3 was drawn during the three month period ended 31 March 2004 in relation to the acquisition of OER energy AS.

Current liabilities

Current liabilities as at 31 March 2004 amount to MSEK 509.7 (MSEK 449.6). Included within current liabilities is MSEK 60.4 (MSEK 71.6) representing trade payables and MSEK 33.3 (MSEK 29.3) of current tax payables. The acquisition liability relates to an accrual of MSEK 61.0 (MSEK 146.5) including the 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 of MSEK 53.2 (MSEK 52.1). Other current liabilities as at 31 March 2004 amount to MSEK 80.3 (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 0.7 (MSEK 7.2) for the three month period ended 31 March 2004. The result included administrative expenses of MSEK 14.7 (MSEK 14.5) offset by net financial income and expenses of MSEK 14.4 (MSEK 20.9). Interest income derived from loans to subsidiary companies amounted to MSEK 7.7 (MSEK 7.9). Currency exchange gains amounted to MSEK 6.4 (MSEK 0.1). The movement in financial fixed assets and cash in bank during the first quarter 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 has a USD 300 million loan facility to fund the DNO acquisition and to provide further funds for corporate purposes. Within the USD 300 million loan facility are Letters of Credit in the total amount of USD 35 million used to provide security for future site restoration costs to former holders of the Heather field.

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 is MUSD 100.0 with reduction from this amount at half year intervals. 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 23 May 2003 all serving Directors were re-elected with the exception of Alex Schneiter, who did not offer himself for re-election.

Share data

Lundin Petroleum AB's registered share capital at 31 March 2004 amounts to SEK 2,517,876.66 represented by 251,787,666 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 2004, 155,100 remain issued and outstanding. 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 31 March 2004, 1,470,400 incentive warrants remain 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 31 March 2004, 3,360,000 incentive warrants are issued and outstanding.

Exchange rates

For the preparation of financial statements for the three month period ended 31 March 2004, the following currency exchange rates have been used.

	Period average	Period end
1 EUR equals SEK	9.1827	9.2581
1 USD equals SEK	7.3420	7.5737

Accounting principles

The First Quarter Report of Lundin Petroleum AB (publ) has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendations and statements on a basis consistent with the previous year.

Expressed in TSEK	Note	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Operating income				
Net sales of oil and gas	1	392,833	341,292	1,082,136
Other operating income		7,523	16,672	38,369
		400,356	357,964	1,120,505
Cost of sales				
Production costs	2	-210,309	-151,326	-419,911
Depletion of oil and gas properties	3	-52,335	-50,453	-192,002
Write off of oil and gas properties		–	–	-2,395
Gross profit		**137,712**	156,185	506,197
Gain on sale of Sudan Block 5A		–	–	720,098
Other income		791	1,326	7,161
General, administration and depreciation expenses		-23,814	-47,039	-164,947
Operating profit		**114,689**	110,472	1,068,509
Financial income and expenses, net	4	-23,697	24,947	-50,526
Profit before tax and minority interest		**90,992**	135,419	1,017,983
Tax	5	-14,985	-40,951	-79,881
Minority interests		-2,657	1,149	-7,873
Net result		**73,350**	95,617	930,229
Earnings per share – SEK		0.29	0.38	3.73
Diluted earnings per share – SEK		0.29	0.38	3.71

Expressed in TSEK	**Note**	**31 Mar 2004**	**31 Dec 2003**
ASSETS			
Tangible fixed assets			
Oil and gas properties	6	4,158,570	1,817,606
Other tangible fixed assets		58,305	55,356
Total tangible fixed assets		**4,216,875**	1,872,962
Financial fixed assets	7	333,640	134,018
Total fixed assets		**4,550,515**	2,006,980
Current Assets			
Current receivables and inventories	8	518,083	395,654
Cash and bank		132,449	301,589
Total current assets		**650,532**	697,243
Total assets		**5,201,047**	2,704,223
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity including net result for the period		1,973,329	1,856,932
Minority interest		23,109	20,036
Provisions		1,515,240	377,505
Long-term interest bearing debt		1,179,550	–
Other long-term liabilities		120	118
Current liabilities	9	509,699	449,632
Total shareholders' equity and liabilities		**5,201,047**	2,704,223
Pledged assets		980,211	–
Contingent liabilities		11,882	11,669

Expressed in TSEK	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
Cash flow from operations			
Net result	73,350	95,617	930,229
Adjustment for depletion and other non cash related items	73,175	5,973	-491,918
Changes in working capital	-20,181	113,153	-191,653
Total cash flow from operations	**126,344**	214,743	246,658
Investments in shares in subsidiaries	-1,214,971	–	-10,864
Sale of assets	–	–	1,150,802
Change in other financial fixed assets	1,032	-12,246	158
Investment in oil and gas properties	-111,471	-105,396	-285,808
Investment in other fixed assets	-841	-4,329	-13,267
Total cash flow used for / from investments	**-1,326,251**	-121,971	841,021
Changes in long-term liabilities	1,047,160	-1,669	-1,022,809
Paid deferred financing fees	-18,443	–	–
Proceeds from share issues	1,076	–	10,437
Total cash flow from / used for financing	**1,029,793**	-1,669	-1,012,372
Change in cash and bank	-170,114	91,103	75,307
Cash and bank at the beginning of the period	301,589	247,776	247,776
Currency exchange difference in cash and bank	974	2,147	-21,494
Cash and bank at the end of the period	**132,449**	341,026	301,589

Note 1. Net sales of oil and gas, TSEK	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
Sale of crude oil			
- France	86,519	92,198	317,704
- Tunisia	50,917	76,918	168,567
- Indonesia	35,122	69,571	163,132
- Norway	56,853	27,660	161,600
- United Kingdom	75,347	–	–
	304,758	266,347	811,003
Sale of condensate			
- Netherlands	3,139	–	8,348
- Norway	964	387	3,238
- United Kingdom	823	–	–
	4,926	387	11,586
Sale of gas			
- Netherlands	48,000	55,889	173,435
- Indonesia	1,840	413	909
- Norway	1,882	459	3,449
- Ireland	7,830	–	–
	59,552	56,761	177,793
Service fee			
- Venezuela	28,487	20,781	102,205
Oil price hedging settlement	-12,488	-12,397	-30,488
Change in underlift position	7,598	9,413	10,037
	392,833	341,292	1,082,136

Note 2. Production costs, TSEK	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
Costs of operations	158,285	76,102	320,141
Tariff and transportation expenses	22,789	20,688	83,057
Royalty and direct taxes	4,130	8,194	25,955
Changes in inventory/overlift position	25,105	46,342	-9,242
	210,309	151,326	419,911

Note 3. Depletion of oil and gas properties, TSEK	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
France	15,149	17,215	60,673
Netherlands	16,093	17,095	58,196
Venezuela	8,413	4,585	18,880
Tunisia	3,907	5,487	20,875
Indonesia	2,448	2,437	8,896
Norway	6,325	3,634	24,482
	52,335	50,453	192,002

Note 4. Financial income and expenses, net, TSEK	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
Interest income	2,078	2,510	11,374
Interest expense	-1,937	-8,446	-25,562
Interest hedge cost	-5,519	-5,328	-37,220
Amortisation of loan fees	-489	-570	-15,915
Unwind discount on abandonment provision	-3,304	-1,469	-5,255
Exchange gains/(losses), net	-16,752	39,616	11,361
Other financial income/(expense), net	2,226	-1,366	10,691
	-23,697	24,947	-50,526

Note 5. Tax, TSEK	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
Current corporate tax	10,361	42,556	45,658
Deferred corporate tax	5,590	-4,571	19,810
Current state profit share tax	458	2,966	20,335
Deferred state profit share tax	-1,424	–	-5,922
	14,985	40,951	79,881

Note 6. Oil and gas properties, TSEK	**Book amount 31 Mar 2004**	**Book amount 31 Dec 2003**
France	770,730	770,265
Netherlands	473,411	477,634
Tunisia	51,228	53,290
Indonesia	77,065	60,229
Venezuela	220,355	217,839
Norway	142,964	136,862
Sudan	22,309	20,457
Iran	96,547	79,765
Albania	446	–
Assets acquired from DNO	2,298,447	–
Others	5,068	1,265
	4,158,570	1,817,606

Note 7. Financial fixed assets, TSEK	**Book amount 31 Mar 2004**	**Book amount 31 Dec 2003**
Shares in associated companies	21,746	21,328
Restricted cash	57,351	56,585
Deferred financing fees	18,102	–
Deferred tax asset	227,624	47,983
Other financial fixed assets	8,817	8,122
	333,640	134,018

Note 8. Current receivables and inventories, TSEK	**Book amount 31 Mar 2004**	**Book amount 31 Dec 2003**
Inventories	84,844	71,666
Trade receivables	214,630	131,188
Underlift	27,517	12,883
Joint venture debtors	69,899	72,964
Other current assets	121,193	106,953
	518,083	395,654

Note 9. Current liabilities, TSEK	**Book amount 31 Mar 2004**	**Book amount 31 Dec 2003**
Trade payables	60,389	71,640
Overlift	35,931	23,237
Short term liability	–	15,550
Tax payables	33,343	29,329
Accrued expenses	238,737	86,439
Acquisition liabilities	60,983	146,465
Other current liabilities	80,316	76,972
	509,699	449,632

Expressed in TSEK	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
Service income	943	658	1,119
Gross profit	**943**	658	1,119
Other income	90	122	396
General and administrative expenses	-14,703	-14,461	-71,302
Operating loss	**-13,670**	-13,681	-69,787
Financial income and expenses, net	14,408	20,916	-80,360
Net result before tax	**738**	7,235	-150,147
Tax	–	–	–
Net result	**738**	7,235	-150,147

Expressed in TSEK	**31 Mar 2004**	**31 Dec 2003**
ASSETS		
Tangible fixed assets	82	95
Financial fixed assets	808,546	754,863
Total fixed assets	**808,628**	754,958
Current Assets		
Current receivables	4,125	12,355
Cash and bank	1,375	112,609
Total current assets	**5,500**	124,964
Total assets	**814,128**	879,922
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity including net result for the period	812,479	810,665
Current liabilities	1,649	69,257
Total shareholders' equity and liabilities	**814,128**	879,922
Pledged assets	980,211	–
Contingent liabilities	11,882	11,619

Expressed in TSEK	**1 Jan 2004– 31 Mar 2004 3 months**	**1 Jan 2003– 31 Mar 2003 3 months**	**1 Jan 2003– 31 Dec 2003 12 months**
Cash flow from operations			
Net result	738	7,235	-150,147
Adjustment for non cash related items	-2,024	-12,892	6,625
Changes in working capital	-4,954	3,970	10,505
Total cash flow used in operations	**-6,240**	-1,687	-133,017
Investment in shares in subsidiaries	–	–	-585
Loans to subsidiary companies	-108,107	–	253,264
Investment in fixed assets	–	–	-85
Total cash flow used for investments	**-108,107**	–	252,594
Proceeds from share issue	1,076	–	10,437
Total cash flow from financing	**1,076**	–	10,437
Change in cash and bank	-113,271	-1,687	130,014
Cash and bank at the beginning of the period	112,609	2,081	2,081
Currency exchange difference Bank	2,037	–	-19,486
Cash and bank at the end of the period	**1,375**	394	112,609

GROUP

Expressed in TSEK	**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
Currency translation difference	–	-8,814	-13,020	–
Net result	–	–	–	95,617
Balance at 31 March 2003	2,487	921,710	-14,919	95,617
Issuance of shares	28	10,409	–	–
Currency translation difference	–	51,993	-45,005	–
Net result	–	–	–	834,612
Balance at 31 December 2003	2,515	984,112	-59,924	930,229
Transfer of prior year net result	–	–	930,229	-930,229
Issuance of shares	3	1,073	–	–
Currency translation difference	–	16,150	25,821	–
Net result	–	–	–	73,350
Balance at 31 March 2004	2,518	1,001,335	896,126	73,350

PARENT COMPANY

Expressed in TSEK	**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
Net result	–	–	7,235
Balance at 31 March 2003	2,487	947,888	7,235
New share issue	28	10,409	–
Net result	–	–	-157,382
Balance at 31 December 2003	2,515	958,297	-150,147
Transfer of prior year net result	–	-150,147	150,147
Issuance of shares	3	1,073	–
Net result	–	–	738
Balance at 31 March 2004	2,518	809,223	738

GROUP	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Return on equity, %[1]	4	10	67
Return on capital employed, %[2]	4	5	50
Debt/equity ratio, %[3]	60	70	–
Equity ratio, %[4]	38	34	69
Share of risk capital, %[5]	59	43	78
Interest coverage ratio, %[6]	1,320	1,099	1,559
Operating cash flow/interest expenses, %[7]	2,404	1,189	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.

GROUP	1 Jan 2004– 31 Mar 2004 3 months	1 Jan 2003– 31 Mar 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Shareholders' equity, SEK[1]	7.84	4.04	7.38
Operating cash flow, SEK[2]	0.71	0.64	2.52
Cash flow used in operations, SEK[3]	0.50	0.86	0.98
Earnings, SEK[4]	0.29	0.38	3.73
Earnings, (fully diluted), SEK[5]	0.29	0.38	3.71
Dividend, SEK	–	–	–
Quoted price at the end of the financial period (regards the parent company), SEK	32.90	9.35	34.30
Number of shares at period end	251,787,666	248,685,016	251,525,466
Weighted average number of shares for the period[6]	251,686,482	248,685,016	249,401,389
Weighted average number of shares for the period (fully diluted)[5]	255,348,247	251,589,765	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:

- Six months report (January – June 2004) will be published on 17 August 2004.
- Nine months report (January – September 2004) will be published on 16 November 2004.

Stockholm 18 May 2004

C. Ashley Heppenstall

President & CEO

The financial information relating to the first quarter has not been subject to review by the auditors of the company.

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