



Lundin Petroleum AB (publ)

REPORT FOR THE
NINE MONTHS ENDED
30 SEPTEMBER 2004

HIGHLIGHTS

	Q3 2004	Q3 2003	Year end 2003
	9 months	9 months	12 months
• Production in boepd	25,685	15,935	16,062
• Turnover in MSEK	1,665.7	891.7	1,120.5
• Net profit in MSEK	390.2	915.5	930.2
• Earnings/share in SEK	1.55	3.68	3.73
• Diluted earnings/share in SEK	1.53	3.65	3.71
• Operating cash flow in MSEK	931.4	465.1	634.6
• Gain on sale Sudan Block 5A in MSEK (included in net profit)	–	720.1	720.1
• Forecasted Group net profit 2004 ¹			SEK 600 million
• Forecasted Group operating cash flow 2004 ¹			SEK 1,350 million

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

Dear fellow Shareholders,

The third quarter of 2004 has been an extremely important period for Lundin Petroleum. In August, first oil was produced from the Broom field offshore United Kingdom which has had a significant impact upon our production and cashflow. The Company is currently producing approximately 36,000 boepd and despite delays to our development drilling program in France, Norway and Venezuela, we expect further increases during the fourth quarter particularly from the UK which will boost production close to 40,000 boepd by year end.

This increase in production has coincided with further strength in world oil prices which has had a direct impact on our profitability and cash flow. The acquisition of assets from DNO has clearly been a great success for Lundin Petroleum. The Broom project in the UK has exceeded production expectations and I expect reserve additions at year-end as a result of the recent drilling activity as well as increases in reserves from the Heather and Thistle fields. In Norway, the Alveim project has received development plan approval which, coupled with the exploration success of Hamsun, will provide further production growth over the next few years.

On the exploration front, we have been busy this year with exploration successes in Norway, France and Indonesia. We have also had disappointments with our first well in Iran and two recent wells in Indonesia. We continue to drill ahead in Iran with the completion of the second well expected by year-end. In the Netherlands, we received encouraging but not conclusive results from our log analysis and as a result, I expect the partners will now test this large gas prospect in 2005. We continue to believe that Lundin Petroleum can create significant shareholder value through exploration activity and acquisitions. In this regard we are currently in the process of reviewing various new venture opportunities which I hope

will lead to further growth in addition to our ongoing projects.

Financial Performance

We are extremely pleased to report operating cash flow of MSEK 931.4 (MUSD 124.6) and net profit of MSEK 390.2 (MUSD 52.2) for the nine months to 30 September 2004. This represents a 100% increase in operating cashflow and a 100% increase in net profit from the same period last year when adjusted for the sale of Sudan Block 5A. Our production performance for the year to date was about eight percent below budget particularly as a result of delays to development drilling programs in France, Norway and Venezuela. This has been partly offset by production performance above forecast in the Netherlands and the Broom field in the United Kingdom. We have achieved an average year to date oil price equivalent to USD 35.11 per barrel.

Our operating cash flow and net profit for the third quarter of 2004 of MSEK 439.8 (MUSD 58.8) and MSEK 179.3 (MUSD 24.0) clearly highlight the impact of the increased production in the third quarter which averaged 28,800 boepd. With a forecast average production rate of over 35,000 boepd in the fourth quarter of 2004, coupled with current oil prices in excess of USD 40.00 per barrel, we expect our net profit and operating cash flow for 2004 to be above our forecast. As I have mentioned previously, we are confident of further growth in 2005 based upon a full year of production from the Broom field and the other recently acquired assets.

During the third quarter of 2004, we signed an increased USD 385 million loan facility with a syndicate of seventeen international banks. We expect the facility to have over USD 125 million of spare borrowing capacity by year-end which gives us capacity to finance new acquisitions should the opportunities arise. I am confident that there is

additional capacity within our existing lender group to increase our facility size should we seek to make an acquisition of an even larger size. Following the completion of the Broom development, we can now meet all our planned exploration and development commitments from internally generated cash flow.

Norway

I was very pleased to attend the opening of our new Oslo office in August. We have recruited an experienced and well respected team of professionals to run our Norwegian business. We are excited with the opportunities in Norway within our existing portfolio of assets as well as in the latest licencing rounds where we were a recent applicant.

With the recent approval of the Alvheim project, we will be investing approximately USD 150 million over the next two years on that development. The Hamsun discovery will provide us with another strong platform for growth in the Norwegian sector.

Following a strategic review we decided to sell our 75% shareholding in the Norwegian independent oil company OER oil AS. The deal with US independent Endeavour International is based upon a cash sale price of NOK 172.5 million (USD 27.1 million). This represents a return of close to six times our initial investment of NOK 30 million less than two years ago and in fact represents an even greater return in USD terms. This significant increase in asset values is representative of a market where companies are willing to pay high prices in order to gain entry into certain producing regions. Nevertheless whilst we have seen significant increases in equity valuations of the oil market, I do not believe these valuations yet fully reflect the forward oil price curve.

Oil Price

Our view expressed in the second quarter report that oil prices had “more potential for upside movements than for downside” has proved to be correct.

Dated Brent oil prices reached USD 50.00 per barrel during October before retreating to closer to the current USD 40.00 per barrel level.

Whilst we expect the spot market to remain volatile and be driven by short term expectations of demand from China and the United States, the long term macro picture has not changed. We expect long term demand from the developing countries, particularly China and India, to continue. Supply concerns will remain with Saudi Arabia currently the only country with spare capacity which is at record historical lows. Significant new production will be required to meet not only demand increases in the long term but also replace the actual declines of existing fields. Questions remain with respect to the accessibility of reserves and capital investment needed to meet such production increases. At the same time, the current geopolitical position in the Middle East adds to the general uncertainty.

As a result we believe oil prices whilst being volatile will remain strong. This is starting to be recognized in the futures markets where for example 2010 Dated Brent can be sold for in excess of USD 35.00 per barrel.

The Future

Our objective is very simple – to create maximum shareholder value. We still believe the best way to achieve this objective is to increase reserves and production. We have been successful in this objective over the last three years through the acquisition of assets and through exploration.

We will continue to follow the same strategy going forward.

- We continue to review a number of acquisition opportunities. We continue to leverage off our technical and deal-making expertise and whilst having to utilise somewhat higher oil price assumptions in our economics, we still believe there are good deals to be done.
- We are very proactive in pushing forward our major development projects in Norway (Alvheim), Tunisia (Oudna) and United Kingdom (North Terrace) which will provide further production increases over the next 2 to 3 years and replace existing field declines.
- We will continue to invest in exploration projects some of which will have the potential to make a material impact to the value of our company. We will look to commercialise our recent exploration successes in Norway, France and Indonesia. Exploration is a business which requires long term commitment with the acceptance that there will be dry holes along the way. However I believe that over time exploration will continue to deliver excellent returns to our shareholders.

It continues to be an exciting time for our Swedish oil company. People are a key component of our success. We have a team of loyal and dedicated staff who are increasing as the company grows. I am grateful to our team for all their contributions and believe we have the ability and opportunities to continue to create enhanced shareholder value going forward.

Best regards,

C. Ashley Heppenstall

President and Chief Executive Officer

OPERATIONS

United Kingdom

First oil from the Broom field (Lundin Petroleum working interest (WI) 55%) was achieved on 3 August 2004 with the completion of the first of three production wells.

The completion of the remaining two pre-drilled production wells along with the completion of a pre-drilled water injection well have all been successfully completed. The drilling of a second water injection well is ongoing and has unexpectedly encountered oil bearing, rather than water bearing, sands. As a result the Broom field is being remapped and new recoverable reserves calculated. Initial calculations indicate an increase in Broom recoverable reserves of approximately 10%. The water injection well is currently being sidetracked and is likely to be completed in the fourth quarter 2004.

Average production from Broom in the third quarter was approximately 21,700 bopd after production start-up. Broom is currently producing over 25,000 bopd which production is expected to be maintained through 2005.

In addition, the North Terrace field which is an undeveloped satellite to the Broom field will be developed in 2005 with the drilling and completion of the first production well. During 2005, a review will be completed in relation to the debottlenecking of the Heather platform facilities which is restricted in relation to total liquids production which is currently limiting total oil production to approximately 30,000 bopd.

Production from the Heather and Thistle fields has been below forecast for the first nine months of 2004. Heather production continued in the third quarter to be negatively impacted by shutdowns in relation to facilities modifications required as

part of the Broom field development. Production restrictions continue in relation to the Heather field as a result of capacity constraints on the Heather platform.

The first well workover on the Thistle field has significantly increased water injection capacity and as a result production levels have now started to increase from the end of the third quarter. Work is ongoing on the second of a three well workover program expected to be completed in the first quarter 2005.

Norway

Following the acquisition of the majority of DNO's assets in Norway, Lundin Petroleum has recruited a team of experienced former DNO employees to manage the acquired assets and grow its business in Norway. A new Lundin Petroleum office in Oslo was opened during the third quarter. An application was made for new licences on the Norwegian Continental Shelf in the recent licencing round and an announcement of awards is expected in the fourth quarter.

Lundin Petroleum has a 15% interest in the Alvheim project located in PL203 for which development plan approval was received in October 2004. This approval signifies the commencement of this 180 million boe development which is forecast to produce 85,000 boepd in early 2007.

The Alvheim project will also process hydrocarbons from the nearby Klegg discovery earning further revenues for the Alvheim partners. The Hamsun exploration well in PL150 (WI 35%) to the south of Alvheim, drilled in the second quarter of 2004 was a significant discovery. Development plan studies are ongoing with the field likely to be tied back to the nearby Alvheim project facilities.

Lundin Petroleum holds a 75% shareholding in Norwegian independent oil company OER oil AS.

Following the acquisition of DNO's Norwegian assets and the opening of a new office in Norway Lundin Petroleum completed a strategic review to simplify its organization structure in Norway. As a result Lundin Petroleum has agreed to sell its 75% shareholding in OER oil AS to Endeavour International, a US independent oil company, for a cash consideration of NOK 172.5 million. In addition Lundin Petroleum will be repaid NOK 30 million in intercompany loans and will be released from third party government and bank guarantees. The deal which is subject to certain government approvals is expected to close in the fourth quarter of 2004.

The production from Norway during the third quarter was below budget due particularly to the under performance of the Brage field owned by OER oil AS.

France

In the Paris Basin the second stage of development on the Merisier Field (WI 100%) has been completed. The Merisier field is currently producing approximately 500 bopd.

In the Aquitaine Basin development drilling has recommenced on the Courbey Field (WI 50%). The Mimosa exploration well (WI 50%) was a discovery and limited production will recommence in early 2005 with produced oil being trucked to export facilities followed by a full development with pipeline tie-in in the second half of 2005.

Production from the Paris Basin was in line with expectation during the period whilst in the Aquitaine Basin was below expectations due primarily to the delays to the development drilling program.

A new exploration licence (Nemours licence) has been awarded to Lundin Petroleum as operator (WI 33.3%).

Netherlands

Gas production was above expectations for the first nine months of 2004.

Development drilling is ongoing on the Zuidwal field (WI 7.8%) located in the Wadensee and will be completed during the fourth quarter.

The Luttelgeest-1 exploration well on the onshore Lemmer Markness permit (WI 10%) which is targeting a large gas prospect has reached its target depth. Based upon log interpretation it has been decided to suspend the well. Further evaluation is ongoing to decide on a possible testing in 2005.

Tunisia

Oil production was slightly below expectation during the first nine months of 2004.

Debottlenecking of production facilities on the Isis field (WI 40%) has now been successfully completed and is having a positive impact on production.

Government approval has been obtained for the Oudna field (WI 50%) development which involves the redeployment of the Ikdam FPSO (Lundin Petroleum commercial interest 50%) from the Isis field to Oudna. It is planned to drill a production well on Oudna in 2005 and conduct a long term production test prior to redeployment of the FPSO. Lundin Petroleum is in the process of finalizing commercial arrangements with state-owned oil company ETAP particularly in relation to the redeployment.

The sale of the Lundin Petroleum shareholding in Compagnie Franco-Tunisienne des Petroles (CFTP) was completed in 2004.

Indonesia*Banyumas (Java)*

It is now expected that an exploration drilling program (WI 50%) will commence in 2005 after the acquisition of seismic last year. An in-principle agreement has been reached with a third party farm-in partner who will acquire a working interest in the concession and carry Lundin Petroleum's well costs. Finalisation of these arrangements is expected in the fourth quarter 2004.

Blora (Java)

The PADI-1 exploration well (WI 43.3%) was drilled during the third quarter 2004 and recently plugged and abandoned after encountering uncommercial quantities of hydrocarbons. Prior to drilling the well Lundin Petroleum completed an agreement with KUFPEC who acquired a 40% working interest in the concession and funded a part of Lundin Petroleum's well costs.

Lematang (South Sumatra)

The Banteng exploration well (WI 15.88%) reached target depth during the third quarter and was plugged and abandoned.

A development plan for the undeveloped Singa gas field with reserves of approximately 300 bcf has been submitted to the Indonesian government. In tandem the gas sales arrangements based upon an existing heads of agreement to supply 50 mmscfd are being finalized.

Salawati Island and Basin (Papua)

Production from Salawati (Salawati Island WI 14.5% and Salawati Basin WI 25.9%) remains slightly below expectations for the first nine months of 2004. Following completion of the 3-D seismic acquisition a continuous exploration and development drilling program is being undertaken and has resulted in exploration successes during the first nine months of 2004.

Venezuela

Production from the Colón Block (WI 12.5%) is below expectations during the first nine months of 2004 due to delays in further development drilling on the La Palma field. An extended development drilling program on the La Palma field has now begun which will ensure production is increased to the 20,000 bopd capacity of the pipeline infrastructure.

The arbitration hearing with Colón partner Perenco in relation to participating interests in the Colón Block has now been completed. As a result Lundin Petroleum's working interest in the Colón Block will remain at 12.5%.

Iran

The second exploration well Shakerstan-1 on the Munir Block (WI 30%) was spudded in July 2004 and is still drilling. The well is expected to reach its target depth by the end of the year 2004.

Sudan

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

Albania

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

RESULT AND CASH FLOW

The results for the consolidated financial statements of Lundin Petroleum AB (Lundin Petroleum or the Group) are presented for the nine month period ended 30 September 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 nine month period ended 30 September 2004 for a two hundred and thirty day period. On 17 June 2004, Lundin Petroleum completed the acquisition of certain Norwegian assets of DNO through its subsidiary Lundin Norway AS. The results of the Norwegian assets are included within the nine month period ended 30 September 2004 from the date of acquisition, which amounts to one hundred and five days. The amounts relating to the comparative period are shown in parentheses after the amount for the current period.

The Group

Lundin Petroleum reports a net profit for the nine months ended 30 September 2004 of MSEK 390.2

(MSEK 915.5) and MSEK 179.3 (MSEK 30.2) for the third quarter of 2004 representing earnings per share on a fully diluted basis of SEK 1.53 (SEK 3.65) for the first nine month period of 2004 and SEK 0.70 (SEK 0.12) for the third quarter of 2004. Operating cashflow for the first nine month period of 2004 amounted to MSEK 931.4 (MSEK 465.1) and MSEK 439.8 (MSEK 143.7) for the third quarter of 2004. Operating cashflow amounted to SEK 3.67 (SEK 1.87) per share for the first nine month period of 2004 and SEK 1.74 (SEK 0.58) per share for the third quarter of 2004.

The net profit before tax and minority interests amounted to MSEK 464.5 (MSEK 994.1) for the nine months ended 30 September 2004 and MSEK 264.8 (MSEK 47.6) for the third quarter of 2004. The net profit before tax and minority interests for the comparative period included the gain on the sale of Sudan Block 5A of MSEK 720.1.

The net profit for the third quarter of 2004 has been positively impacted by net foreign exchange gains of MSEK 13.1. 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.

<i>Expressed in TSEK</i>	1 Jul 2004– 30 Sep 2004 3 months	1 Apr 2004– 30 Jun 2004 3 months	1 Jan 2004– 31 Mar 2004 3 months	1 Oct 2003– 31 Dec 2003 3 months	1 Jul 2003– 30 Sep 2003 3 months
Net profit	179,294	137,534	73,350	14,735	30,152
Exchange movements	-13,139	21,609	16,752	24,192	24,384
Gain on sale of Sudan	–	–	–	–	4,747
Adjusted net profit	166,155	159,143	90,102	38,927	59,283

Net sales of oil and gas for the nine month period ended 30 September 2004 amounted to MSEK 1,585.4 (MSEK 857.1) and MSEK 671.2 (MSEK 276.4) for the third quarter of 2004.

Production for the period amounted to 6,425,700 barrels of oil equivalent (boe) representing 25,685 boe per day (boepd). The average price achieved for a barrel of oil equivalent for the nine month period ended 30 September 2004 amounted to USD 35.11 (USD 27.19).

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 nine month period ended 30 September

2004 amounted to USD 36.35 (USD 28.65) per barrel resulting in a post-tax negative hedge settlement of MSEK 58.9.

Other operating income for the nine month period ended 30 September 2004 amounted to MSEK 80.2 (MSEK 34.5) and MSEK 31.7 (MSEK 4.3) for the third quarter of 2004. This amount includes tariff income from the United Kingdom, France and the Netherlands and income for maintaining strategic inventory levels in France. Tariff income has increased during the third quarter of 2004 following the commencement of production from the Broom field. The tariff income recorded for the Broom field in the third quarter of 2004 amounts to MSEK 17.8 and represents the 45% of the Broom field tariff paid by partners. Included for the nine month period ended 30 September 2004, is an amount relating to insurance proceeds received for the French operations amounting to MSEK 12.2 for settlement of an insurance claim relating to 1999. Also included in other operating income is the portion of operational overhead charge that is paid to Lundin Petroleum by partners.

Sales and production for the nine and three month periods ended 30 September 2004 were comprised as follows:

Sales	1 Jan 2004– 30 Sep 2004	1 Jul 2004– 30 Sep 2004	1 Jan 2003– 30 Sep 2003	1 Jul 2003– 30 Sep 2003	1 Jan 2003– 31 Dec 2003
<i>Average price per barrel given in USD</i>	9 months	3 months	9 months	3 months	12 months
United Kingdom					
- Quantity in boe	1,978,000	1,082,000	–	–	–
- Average price per boe	39.31	42.78	–	–	–
France					
- Quantity in boe	1,284,431	395,157	1,042,960	268,933	1,436,709
- Average price per boe	36.16	43.15	27.17	27.49	27.71
Norway					
- Quantity in boe	771,486	351,997	517,009	206,861	690,466
- Average price per boe	37.30	41.65	28.33	28.66	28.69
Netherlands					
- Quantity in boe	707,253	209,228	600,208	179,594	864,687
- Average price per boe	24.59	24.91	24.72	24.82	24.87
Indonesia					
- Quantity in boe	502,630	176,947	674,631	265,111	727,139
- Average price per boe	34.09	39.26	27.77	25.79	27.57
Tunisia					
- Quantity in boe	417,763	–	675,112	241,494	723,976
- Average price per boe	31.58	–	27.97	26.55	28.12
Ireland					
- Quantity in boe	138,680	34,337	–	–	–
- Average price per boe	21.34	24.02	–	–	–
Total					
- Quantity in boe	5,800,243	2,249,666	3,509,920	1,161,993	4,442,977
- Average price per boe	35.11	40.44	27.19	26.70	27.35

Income from Venezuela is derived by way of a service fee. For the nine month period ended 30 September 2004, Lundin Petroleum received a fee of USD 17.63 (USD 15.69) per barrel for the 664,296 boe (574,909 boe) that were sold.

The Isis field offshore Tunisia produces into a Floating Production Storage Offload vessel (FPSO) and partners offload the production as the FPSO nears storage capacity. There was no offloading during the third quarter of 2004 and consequently no sales were recorded.

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Production	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
United Kingdom					
- Quantity in boe	2,004,945	1,220,011	–	–	–
- Quantity in boepd	8,717	13,261	–	–	–
France					
- Quantity in boe	1,179,138	380,083	1,126,849	369,330	1,517,749
- Quantity in boepd	4,303	4,131	4,128	4,014	4,158
Norway					
- Quantity in boe	708,286	292,747	563,581	225,493	778,012
- Quantity in boepd	3,335	3,183	2,329	2,451	2,329
Netherlands					
- Quantity in boe	707,253	209,227	600,436	183,211	871,994
- Quantity in boepd	2,581	2,274	2,199	1,991	2,389
Venezuela					
- Quantity in boe	652,914	193,289	615,107	216,002	869,430
- Quantity in boepd	2,383	2,101	2,253	2,348	2,382
Indonesia					
- Quantity in boe	613,897	207,282	681,582	231,978	902,338
- Quantity in boepd	2,241	2,253	2,497	2,522	2,472
Tunisia					
- Quantity in boe	438,093	111,959	690,465	219,684	851,023
- Quantity in boepd	1,599	1,217	2,529	2,388	2,332
Ireland					
- Quantity in boe	121,174	34,352	–	–	–
- Quantity in boepd	527	373	–	–	–
Total					
- Quantity in boe	6,425,700	2,648,950	4,278,020	1,445,698	5,790,546
- Quantity in boepd	25,685	28,793	15,935	15,714	16,062
<i>Number of days</i>					
UK	230	92	–	–	–
Ireland	230	92	–	–	–
DNO's Norwegian assets	105	92	–	–	–

Production costs for the nine and three month periods ended 30 September 2004 expressed in US dollars were comprised as follows:

<i>Production cost and depletion in TUSD</i>	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Cost of operations	89,652	35,019	28,431	10,349	39,309
Tariff and transportation expenses	10,284	3,335	7,493	2,236	10,276
Royalty and direct taxes	2,543	1,108	2,681	849	3,511
Changes in inventory/overlift	10,535	-1,016	2,156	720	-1,143
Total production costs	113,014	38,446	40,761	14,154	51,953
Depletion	30,330	16,497	17,826	5,999	23,755
Total	143,344	54,943	58,587	20,153	75,708

<i>Production cost and depletion in USD per boe</i>	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Cost of operations	13.95	13.22	6.65	7.16	6.79
Tariff and transportation expenses	1.60	1.26	1.75	1.55	1.77
Royalty and direct taxes	0.40	0.42	0.63	0.59	0.61
Changes in inventory/overlift	1.64	-0.38	0.50	0.50	-0.20
Total production costs	17.59	14.52	9.53	9.80	8.97
Depletion	4.72	6.23	4.17	4.15	4.10
Total cost per boe	22.31	20.75	13.70	13.95	13.07

Cost of operations for the nine month period ended 30 September 2004 amounted to MSEK 670.2 (MSEK 234.6) and MSEK 262.3 (MSEK 84.4) for the third quarter of 2004. Operating costs in the third quarter of 2004 were impacted by the start up of production from the Broom field in the first week of August. The operating costs for the Broom field sub sea development are approximately USD 6.00 per barrel. The Broom field is dependent upon the Heather field fixed platform for processing and transporting crude production and a significant portion of the operating cost is the tariff paid by the Broom field partners to the Heather field partners. As Lundin Petroleum holds 55% of the Broom field and 100% of the Heather field, the 55% of the tariff cost that Lundin Petroleum pays to itself is eliminated from the income statement. The low incremental increase in operating cost for the Broom field and the significant increase in production in the third quarter of 2004 has resulted in the reduction in operating costs per barrel predicted in the half year report. A further reduction in operating cost per barrel is anticipated in the fourth quarter of 2004 when a full period of Broom production will be included.

Depletion of oil and gas properties for the nine month period ended 30 September 2004 amounted to MSEK 226.7 (MSEK 147.1) and MSEK 123.4 (MSEK 48.8) for the third quarter of 2004. The depletion charge for the third quarter of 2004 has increased due to the inclusion of the depletion charge for the UK fields of MSEK 71.4 following the commencement of production in the Broom field.

Other income for the nine month period ended 30 September 2004 amounted to MSEK 5.1 (MSEK 4.5) and MSEK 2.2 (MSEK 0.8) for the third quarter of 2004 and represents fees and costs

recovered by Lundin Petroleum from third parties. General and administrative expenses for the nine month period ended 30 September 2004 amounted to MSEK 81.1 (MSEK 122.0) and MSEK 21.6 (MSEK 33.4) for the third quarter of 2004. Included in the general and administrative expenses for 2004 is the start up cost of Lundin Petroleum's new Norwegian operation established to manage the acquired assets and further develop the Norwegian operations. Included within general and administrative expenses in the first nine months of 2003 are restructuring costs incurred of MSEK 28.4 related specifically to the redundancy costs associated with the closure of the Paris office.

Net financial income and expenses for the nine month period ended 30 September 2004 amounted to MSEK -49.9 (MSEK -16.7) and MSEK -4.7 (MSEK -31.6) for the third quarter of 2004. Interest income for the nine month period ended 30 September 2004 amounted to MSEK 7.5 (MSEK 7.6) and MSEK 2.6 (MSEK 1.8) for the third quarter of 2004. Interest income mainly comprises of interest received on a loan to an unconsolidated associated company for an amount of MSEK 1.9 (MSEK 1.6) and part of the fee received from the Colón block which is determined as interest income for an amount of MSEK 2.5 (MSEK 2.9). Interest expense for the nine month period ended 30 September 2004 amounted to MSEK 25.7 (MSEK 22.0) and MSEK 18.3 (MSEK 3.8) for the third quarter of 2004 and mainly relates to the USD 385 million loan facility. The impact of the interest rate hedge for the nine month period ended 30 September 2004 amounted to a gain of MSEK 5.2 (MSEK -16.4) and a gain of MSEK 1.6 (MSEK -5.4) for the third quarter of 2004 due to the partial release of the provision to record the market value of the potential cost under the swap. The

amortisation of financing fees amounted to MSEK 4.8 (MSEK 15.9) for the nine month period ended 30 September 2004 and MSEK 1.8 (MSEK nil) for the third quarter of 2004. The financing fees are in relation to the USD loan facility and are amortised over the life of the loan facility. Exchange gains and losses for the nine month period ended 30 September 2004 amounted to MSEK -25.2 (MSEK 35.6). The exchange losses for the first nine month period of 2004 are mainly the result of the revaluation of the USD loan outstanding into the EUR and GBP reporting currency of the entities in which the funds were drawn, as the USD has strengthened as at 30 September 2004 compared to the completion dates of the DNO acquisitions at which the funds were drawn. The USD weakened in the third quarter of 2004 partially reversing the exchange losses recorded. In addition a provision of MSEK 0.8 has been recorded against exchange losses in the first nine months ended 30 September 2004 to mark to market the currency swaps that the Group has entered into.

The tax charge for the nine month period ended 30 September 2004 amounted to MSEK 66.5 (MSEK 77.8) comprising a current corporation tax benefit of MSEK 61.0 (MSEK -81.8), a deferred corporation tax charge of MSEK 137.3 (MSEK -12.4), petroleum tax benefit of MSEK 49.6 (MSEK -8.3) and a deferred petroleum tax charge of MSEK 39.8 (MSEK nil). The current corporation tax benefit comprises a current corporation tax benefit in The Netherlands of MSEK 86.4 offset by current corporation tax charges in, amongst others, France, Indonesia and Venezuela. Costs relating to the investment in the Irish development project have been written off during the second quarter of 2004 creating a deferred tax asset of MSEK 82.7

which has been offset against prior year current taxes paid resulting in a current tax benefit and a deferred tax charge. The deferred corporation tax charge of MSEK 137.3 comprises principally of a charge of MSEK 75.7 in the Netherlands for the utilisation of tax losses created on the write off of the investment in the Irish development, a charge of MSEK 32.8 in Norway for the use of tax losses acquired by OER oil AS and a charge of MSEK 40.8 in the UK for the utilisation of tax losses acquired with the UK companies. As a result of the finalisation of a tax audit in the Netherlands, there has been a reduction of the petroleum tax payable amounting to MSEK 12.4. The Thistle field operates within the UK Petroleum Revenue Tax (PRT) regime. Expenditure capitalised during the third quarter has resulted in a PRT tax benefit of MSEK 45.1. Because the expenditure has been capitalised for accounting purposes and will be depleted in future accounting periods, a deferred PRT charge of MSEK 41.7 has been recorded against this tax credit.

ACQUISITION OF ASSETS FROM DNO

On 12 November 2003, Lundin Petroleum signed a sale and purchase agreement to acquire the companies owning the UK and Irish assets and substantially all of the Norwegian assets of DNO with an effective date of 1 January 2003 for USD 165 million and adjustments for all cashflows during the period up to closing. On 13 February 2004, Lundin Petroleum completed the acquisition of the UK and Irish subsidiaries. On 17 June 2004, Lundin Petroleum completed the acquisition of certain Norwegian assets from DNO. These acquisitions were partially funded from cash balances and drawings from the USD 385 million loan facility provided by a syndicate of banks.

Tangible fixed assets

Tangible fixed assets as at 30 September 2004 amounted to MSEK 4,984.6 (MSEK 1,873.0) of which MSEK 4,926.3 (MSEK 1,817.6) relates to oil and gas properties. The acquisition of the offshore UK, Irish and Norwegian producing assets was recorded at a cost of MSEK 2,657.6. Development and exploration expenditure incurred for the nine and three month periods ended 30 September 2004 can be summarised as follows:

Development expenditure in MSEK	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
United Kingdom	515.2	240.0	–	–	–
France	54.4	38.0	50.5	31.4	71.7
Netherlands	22.3	13.4	14.4	5.1	26.0
Venezuela	10.0	1.5	12.2	12.2	16.3
Tunisia	2.5	0.8	0.3	0.3	1.5
Indonesia	16.3	4.4	11.9	4.1	19.4
Norway	21.4	4.1	12.3	2.0	26.0
Development expenditure	642.1	302.2	101.6	55.1	160.9

Exploration expenditure in MSEK	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
France	33.3	5.7	12.9	11.6	15.7
Indonesia	43.8	24.5	34.0	6.7	41.6
Iran	42.0	18.1	16.4	11.7	35.5
Netherlands	18.4	11.6	6.2	–	6.7
Tunisia	–	–	0.5	0.5	3.2
Albania	1.7	0.3	3.9	1.5	4.6
Norway	23.3	19.5	–	–	–
Sudan	4.5	1.8	13.2	0.9	13.9
United Kingdom	1.8	0.3	–	–	–
Other	7.6	4.6	2.3	2.3	3.6
Exploration expenditure	176.4	86.4	89.4	35.2	124.8

Financial fixed assets

Financial fixed assets as at 30 September 2004 amounted to MSEK 381.7 (MSEK 134.0). Included in financial fixed assets as at 30 September 2004 is an amount of MSEK 55.9 (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 39.4 (MSEK 38.8) representing cash collateralisation of bank guarantees to cover future joint venture work commitments. Shares in associated companies of MSEK 21.3 (MSEK 21.3) relates primarily to an investment in a company owning gas infrastructure in The Netherlands. Deferred financing fees amounted to MSEK 23.1 (MSEK nil) as at 30 September 2004. The deferred financing fees relate to the costs of the bank credit facility and are being amortised over the period of the loan. A deferred tax asset of MSEK 275.4 (MSEK 48.0) has been recorded as at 30 September 2004 for tax losses acquired through the purchase of OER energy AS for an amount of MSEK 23.0 (MSEK 48.0), the tax loss carry forward in the United Kingdom for an amount of MSEK 148.0 (MSEK nil), the tax loss carry forward in the Netherlands for an amount of MSEK 12.1 (MSEK nil) and the tax loss carry forward in Norway for an amount of MSEK 52.7 (MSEK nil). Other financial fixed assets amount to MSEK 6.1 (MSEK 8.1) and are funds held by joint venture partners in anticipation of future expenditures.

Current receivables and inventories

Current receivables and inventories amounted to MSEK 858.3 (MSEK 395.7) as at 30 September 2004. Inventories, including hydrocarbons and consumable well supplies amounted to MSEK 86.4 (MSEK 71.7) as at 30 September 2004. Trade receivables amounted to MSEK 420.6 (MSEK 131.2) as at 30 September 2004. The increase in the trade receivables is primarily due to the Broom field sales which came on stream during the third quarter of 2004. Taxes receivable

amounted to MSEK 196.1 (MSEK 69.1) and joint venture debtors amounted to MSEK 73.5 (MSEK 73.0).

Cash and bank

Cash and bank as at 30 September 2004 amounted to MSEK 318.3 (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 27.7 (MSEK 20.0) as at 30 September 2004. This minority interest represents the portion of fully consolidated subsidiaries not owned by Lundin Petroleum. Lundin Petroleum owns 76.7% of OER oil AS and 99.8% of Lundin International SA.

Provisions and other long term liabilities

As at 30 September 2004, provisions amounted to MSEK 1,621.0 (MSEK 377.6). This amount includes a provision for site restoration of MSEK 429.8 (MSEK 110.6) and a provision for deferred tax of MSEK 1,170.0 (MSEK 242.0). The increase in the provision for site restoration as well as the increase in the provision for deferred tax from 31 December 2003 is primarily due to the acquisition of the UK and Irish assets from DNO.

Lundin Petroleum entered into a four year interest rate swap to reduce the financial risk of rising interest rates. Following the repayment and cancellation of the previous credit facility in 2003, accounting rules required us to record the market value of the potential cost under the swap. A provision has been recorded at 30 September 2004 of MSEK 0.2 (MSEK 18.5) to recognise this potential cost. The provision in relation to the currency hedging contracts amounted to MSEK 0.8 (MSEK nil).

Due to changes in accounting principles the pension liability of the Company in relation to a pension to be paid to Mr Adolf H. Lundin, has been

accounted for in the second quarter of 2004. The provision has been accounted for directly against the opening balance of the Company's shareholders' equity as per 1 January 2004 for an amount of MSEK 15.7. As at 30 September 2004, the pension provision amounted to MSEK 15.1.

Long term interest bearing debt

Long term interest bearing debt amounted to MSEK 1,964.2 (MSEK nil) as at 30 September 2004. On 16 August 2004, Lundin Petroleum entered into a seven-year credit facility agreement to borrow up to MUSD 385. Under the facility the Company has utilised MUSD 35 as Letters of Credit in support of future site restoration costs payable to former owners of the Heather field and cash drawings of MUSD 271.0.

Current liabilities

Current liabilities as at 30 September 2004 amount to MSEK 692.8 (MSEK 449.6). Included within current liabilities is MSEK 86.7 (MSEK 71.6) representing trade payables and MSEK 39.0 (MSEK 29.3) of current tax payables. The acquisition liability amounts to MSEK 52.7 (MSEK 146.5) and relates mainly to an accrual for outstanding consideration for the acquisition of Lundin International SA relating to the portion of the original acquisition price dependent upon the performance of certain offshore Tunisian assets. Other current liabilities as at 30 September 2004 amount to MSEK 101.6 (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 -12.0 (MSEK -130.6) for the nine month period ended 30 September 2004 and MSEK -2.9 (MSEK -19.0) for the third quarter of 2004. The result included administrative expenses of MSEK 46.1 (MSEK 54.2) offset by net financial income and expenses of MSEK 24.7 (MSEK -77.8). Interest income derived from loans to subsidiary companies amounted to MSEK 22.6 (MSEK 20.7).

Currency exchange gains amounted to MSEK 1.8 (MSEK -111.8). The movement in financial fixed assets and cash in bank during the first nine months of 2004 is relating to issued loans to subsidiary companies.

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

LIQUIDITY

On 16 August 2004, the Group entered into a USD 385 million loan facility to fund the DNO acquisition and to provide further funds for corporate purposes. The MUSD 385 loan facility will be used to provide Letters of Credit in the amount of MUSD 35 as security for the payment of future site restoration costs to former owners of the Heather field and to provide funds for corporate purposes.

FINANCIAL INSTRUMENTS

The Group has entered into interest rate hedging contracts commencing on 1 January 2003 to tie the LIBOR based floating rate part of the Company's USD borrowings to a fixed LIBOR rate of interest of 3.49% pa. for a period of four years. The amount hedged reduced to MUSD 95 on 2 July 2004 with further reductions to this amount at half year intervals. On 11 March 2004, following the drawdown of funds under the loan facility to finance the DNO acquisition, the Group entered into a further interest rate hedging contract to fix the LIBOR rate of interest on MUSD 40.0 at 2.32% for a period of three years.

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

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

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

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

CHANGES IN THE BOARD

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

SHARE DATA

Lundin Petroleum AB's registered share capital at 30 September 2004 amounts to SEK 2,535,228 represented by 253,522,766 shares of nominal value SEK 0.01 each.

Under the Group incentive program for employees, 3,175,000 incentive warrants with a strike price of SEK 3.37 expiring on 1 May 2004 were issued during 2001. The incentive warrants were exercisable from 1 May 2002. All outstanding warrants were exercised before 1 May 2004.

The 2002 program, approved on 23 May 2002, is for the issue of up to 3,250,000 incentive warrants exercisable during the period 31 May 2003 to 31 May 2005 at a strike price of SEK 4.50. As at 30 September 2004, 865,900 incentive warrants remained issued and outstanding.

The 2003 program, approved on 23 May 2003, is for the issue of up to 3,400,000 incentive warrants exercisable during the period 31 May 2004 to 31 May 2006 at a strike price of SEK 10.10. As at 30

September 2004, 2,454,500 incentive warrants were issued and outstanding.

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

As at 30 September 2004, there was no convertible debt outstanding.

Exchange rates

For the preparation of financial statements for the nine month period ended 30 September 2004, the following currency exchange rates have been used.

	Period average	Period end
1 EUR equals SEK	9.1622	9.0588
1 USD equals SEK	7.4751	7.3002

Accounting principles

The nine month period Report of Lundin Petroleum AB (publ) has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 on a basis consistent with the previous year, with the exception of the treatment of pension cost. In the second quarter of 2004, Lundin Petroleum has adopted the Swedish recommendation RR 29 effective 1 January 2004 resulting in a reduction to the 2004 retained earnings brought forward of MSEK 15.7. Preparations have commenced for full implementation of the remaining IFRS recommendations in 2005. It is assessed that the effects of implementing the IFRS recommendations will pertain mainly to financial instruments.

CONSOLIDATED INCOME STATEMENT IN SUMMARY

<i>Expressed in TSEK</i>	Note	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Operating income						
Net sales of oil and gas	1	1,585,435	671,248	857,146	276,371	1,082,136
Other operating income		80,232	31,726	34,530	4,348	38,369
		1,665,667	702,974	891,676	280,719	1,120,505
Cost of sales						
Production costs	2	-844,786	-288,073	-336,398	-115,318	-419,911
Depletion of oil and gas properties	3	-226,716	-123,444	-147,119	-48,849	-192,002
Write off of oil and gas properties		-3,779	-2,624	–	–	-2,395
		590,386	288,833	408,159	116,552	506,197
Gross profit						
Gain on sale of Sudan Block 5A		–	–	720,098	-4,747	720,098
Other income		5,147	2,211	4,542	849	7,161
General, administration and depreciation expenses		-81,100	-21,626	-122,009	-33,439	-164,947
		514,433	269,418	1,010,790	79,215	1,068,509
Operating profit						
Financial income and expenses, net	4	-49,911	-4,650	-16,663	-31,595	-50,526
		464,522	264,768	994,127	47,620	1,017,983
Profit before tax and minority interest						
Tax	5	-66,514	-83,334	-77,753	-17,151	-79,881
Minority interests		-7,830	-2,140	-880	-317	-7,873
		390,178	179,294	915,494	30,152	930,229
Net result						
Earnings per share – SEK		1.55	0.71	3.68	0.12	3.73
Diluted earnings per share – SEK		1.53	0.70	3.65	0.12	3.71

CONSOLIDATED BALANCE SHEET IN SUMMARY

<i>Expressed in TSEK</i>	Note	30 Sep 2004	31 Dec 2003
ASSETS			
Tangible fixed assets			
Oil and gas properties	6	4,926,317	1,817,606
Other tangible fixed assets		58,305	55,356
Total tangible fixed assets		4,984,622	1,872,962
Financial fixed assets			
	7	381,739	134,018
Total fixed assets		5,366,361	2,006,980
Current Assets			
Current receivables and inventories	8	858,274	395,654
Cash and bank		318,308	301,589
Total current assets		1,176,582	697,243
Total assets		6,542,943	2,704,223
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity including net result for the period		2,237,032	1,856,932
Minority interest		27,732	20,036
Provisions	9	1,621,047	377,505
Long-term interest bearing debt		1,964,226	–
Other long-term liabilities		127	118
Current liabilities	10	692,779	449,632
Total shareholders' equity and liabilities		6,542,943	2,704,223
Pledged assets		968,929	–
Contingent liabilities		–	11,669

GROUP CASH FLOW STATEMENT IN SUMMARY

<i>Expressed in TSEK</i>	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Cash flow from operations					
Net result	390,178	179,294	915,494	30,152	930,229
Adjustment for depletion and other non cash related items	408,750	226,427	-601,150	60,920	-491,918
Changes in working capital	-212,041	-221,665	-75,391	-37,869	-191,653
Total cash flow from operations	586,887	184,056	238,953	53,203	246,658
Investments in shares in subsidiaries	-1,220,191	-5,220	–	–	-10,864
Sale of assets	–	–	1,150,802	-4,747	1,150,802
Change in other financial fixed assets	3,390	3,322	-15,559	-3,042	158
Investment in oil and gas properties	-1,269,250	-390,282	-277,611	-91,160	-285,808
Investment in other fixed assets	-3,810	-1,564	-9,573	-2,777	-13,267
Total cash flow used for/from investments	-2,489,861	-393,744	848,059	-101,726	841,021
Changes in long-term liabilities	1,937,746	271,164	-1,022,808	–	-1,022,809
Paid financing fees	-28,260	-9,817	–	–	–
Proceeds from share issues	14,172	3,847	5,361	4,121	10,437
Total cash flow from/used for financing	1,923,658	265,194	-1,017,447	4,121	-1,012,372
Change in cash and bank	20,684	55,506	69,565	-44,402	75,307
Cash and bank at the beginning of the period	301,589	265,835	247,776	356,144	247,776
Currency exchange difference in cash and bank	-3,965	-3,033	-7,685	-2,086	-21,494
Cash and bank at the end of the period	318,308	318,308	309,656	309,656	301,589

Note 1. Net sales of oil and gas, TSEK	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Sale of crude oil					
- United Kingdom	588,543	349,449	–	–	–
- France	349,071	128,440	232,149	59,678	317,704
- Norway	214,878	109,673	122,338	48,841	161,600
- Indonesia	129,556	52,287	154,608	55,918	163,132
- Tunisia	99,491	–	157,618	53,511	168,567
	1,381,539	639,849	666,713	217,948	811,003
Sale of condensate					
- Netherlands	8,082	1,438	5,583	2,858	8,348
- Norway	2,655	759	2,356	936	3,238
- United Kingdom	6,778	4,276	–	–	–
	17,515	6,473	7,939	3,794	11,586
Sale of gas					
- Netherlands	129,103	39,051	123,065	37,000	173,435
- Ireland	20,956	4,370	–	–	–
- Indonesia	3,268	469	700	232	909
- Norway	2,736	139	2,176	1,081	3,449
	156,063	44,029	125,941	38,313	177,793
Service fee					
- Venezuela	87,533	29,240	75,749	22,528	102,205
Oil price hedging settlement	-89,298	-48,212	-22,446	-7,072	-30,488
Change in underlift position	32,083	-131	3,250	860	10,037
	1,585,435	671,248	857,146	276,371	1,082,136

Note 2. Production costs, TSEK	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Costs of operations	670,153	262,274	234,638	84,396	320,141
Tariff and transportation expenses	76,872	24,988	61,841	18,159	83,057
Royalty and direct taxes	19,012	8,301	22,128	6,901	25,955
Changes in inventory/overlift position	78,749	-7,490	17,791	5,862	-9,242
	844,786	288,073	336,398	115,318	419,911

Note 3. Depletion of oil and gas properties, TSEK	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
United Kingdom	71,420	71,420	–	–	–
France	42,207	13,598	49,545	16,125	60,673
Norway	28,381	13,540	19,120	7,425	24,482
Netherlands	46,168	13,655	37,827	11,320	58,196
Venezuela	22,727	6,724	15,171	5,359	18,880
Indonesia	5,705	1,925	8,353	2,910	8,896
Tunisia	10,108	2,582	17,103	5,710	20,875
	226,716	123,444	147,119	48,849	192,002

NOTES

Note 4. Financial income and expenses, net, TSEK	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Interest income	7,461	2,581	7,627	1,769	11,374
Interest expense	-25,650	-18,297	-21,984	-3,807	-25,562
Interest hedge cost	5,233	1,557	-16,383	-5,434	-37,220
Amortisation of loan fees	-4,848	-1,849	-15,915	–	-15,915
Unwind discount on abandonment provision	-13,811	-5,411	-4,389	-1,466	-5,255
Exchange gains/(losses), net	-25,222	13,139	35,553	-24,384	11,361
Other financial income/(expense), net	6,926	3,630	-1,172	1,727	10,691
	-49,911	-4,650	-16,663	-31,595	-50,526

Note 5. Tax, TSEK	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Current corporate tax	60,989	-13,962	-81,805	-16,356	-45,658
Deferred corporate tax	-137,276	-72,649	12,376	4,570	-19,810
Current petroleum tax	49,565	38,842	-8,324	-5,365	-20,335
Deferred petroleum tax	-39,792	-35,565	–	–	5,922
	-66,514	-83,334	-77,753	-17,151	-79,881

Note 6. Oil and gas properties, TSEK	Book amount 30 Sep 2004	Book amount 31 Dec 2003
United Kingdom	2,516,508	–
France	813,411	770,265
Norway	608,870	136,862
Netherlands	471,118	477,634
Venezuela	206,763	217,839
Indonesia	115,213	60,229
Tunisia	41,713	53,290
Iran	121,134	79,765
Sudan	24,868	20,457
Albania	1,687	–
Others	5,032	1,265
	4,926,317	1,817,606

Note 7. Financial fixed assets, TSEK	Book amount 30 Sep 2004	Book amount 31 Dec 2003
Shares in associated companies	21,278	21,328
Restricted cash	55,856	56,585
Deferred financing fees	23,148	–
Deferred tax asset	275,363	47,983
Other financial fixed assets	6,094	8,122
	381,739	134,018

Note 8. Current receivables and inventories, TSEK	Book amount 30 Sep 2004	Book amount 31 Dec 2003
Inventories	86,356	71,666
Trade receivables	420,628	131,188
Underlift	39,215	12,883
Corporation tax	196,124	69,119
Joint venture debtors	73,503	72,964
Other current assets	42,448	37,834
	858,274	395,654

Note 9. Provisions, TSEK	Book amount 30 Sep 2004	Book amount 31 Dec 2003
Site restoration	429,770	110,643
Pension	15,081	–
Deferred taxes	1,169,919	241,967
Other	6,277	24,895
	1,621,047	377,505

Note 10. Current liabilities, TSEK	Book amount 30 Sep 2004	Book amount 31 Dec 2003
Trade payables	86,701	71,640
Overlift	65,465	23,237
Short term liability	69,798	15,550
Tax payables	38,981	29,329
Accrued expenses	277,546	86,439
Acquisition liabilities	52,649	146,465
Other current liabilities	101,639	76,972
	692,779	449,632

PARENT COMPANY INCOME STATEMENT IN SUMMARY

<i>Expressed in TSEK</i>	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Service income	9,174	3,934	1,119	–	1,119
Gross profit	9,174	3,934	1,119	–	1,119
Other income	213	48	310	92	396
General and administrative expenses	-46,091	-10,756	-54,183	-20,112	-71,302
Operating loss	-36,704	-6,774	-52,754	-20,020	-69,787
Financial income and expenses, net	24,723	3,827	-77,839	1,062	-80,360
Net result before tax	-11,981	-2,947	-130,593	-18,958	-150,147
Tax	–	–	–	–	–
Net result	-11,981	-2,947	-130,593	-18,958	-150,147

PARENT COMPANY BALANCE SHEET IN SUMMARY

<i>Expressed in TSEK</i>	30 Sep 2004	31 Dec 2003
ASSETS		
Tangible fixed assets	–	95
Financial fixed assets	797,715	754,863
Total fixed assets	797,715	754,958
Current Assets		
Current receivables	11,933	12,355
Cash and bank	4,882	112,609
Total current assets	16,815	124,964
Total assets	814,530	879,922
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity including net result for the period	812,856	810,665
Current liabilities	1,674	69,257
Total shareholders' equity and liabilities	814,530	879,922
Pledged assets	968,929	–
Contingent liabilities	–	11,619

PARENT COMPANY CASH FLOW STATEMENT IN SUMMARY

<i>Expressed in TSEK</i>	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Cash flow from operations					
Net result	-11,981	-2,947	-130,593	-18,958	-150,147
Adjustment for non cash related items	-2,004	–	-2,648	6,467	6,625
Changes in working capital	-12,737	-5,958	4,614	6,494	10,505
Total cash flow used in operations	-26,722	-8,905	-128,627	-5,997	-133,017
Investment in shares in subsidiaries	–	–	-585	-585	-585
Changes in loans to subsidiary companies	-97,276	3,515	295,105	-2,274	253,264
Investment in fixed assets	62	182	-85	-85	-85
Total cash flow used for/from investments	-97,214	3,697	294,435	-2,944	252,594
Proceeds from share issue	14,172	3,847	5,361	4,121	10,437
Total cash flow from financing	14,172	3,847	5,361	4,121	10,437
Change in cash and bank	-109,764	-1,361	171,169	-4,820	130,014
Cash and bank at the beginning of the period	112,609	6,244	2,081	174,299	2,081
Currency exchange difference Bank	2,037	-1	-10,226	-6,455	-19,486
Cash and bank at the end of the period	4,882	4,882	163,024	163,024	112,609

STATEMENT OF CHANGE IN EQUITY

GROUP	Share Capital	Restricted reserves	Retained earnings	Net result
<i>Expressed in TSEK</i>				
Balance at 1 January 2003	2,487	930,524	14,665	-16,564
Transfer of prior year net result	–	–	-16,564	16,564
Issuance of shares	15	5,346	–	–
Currency translation difference	–	54,519	-76,520	–
Net result	–	–	–	915,494
Balance at 30 September 2003	2,502	990,389	-78,419	915,494
Issuance of shares	13	5,063	–	–
Currency translation difference	–	-11,340	18,495	–
Net result	–	–	–	14,735
Balance at 31 December 2003	2,515	984,112	-59,924	930,229
Transfer of prior year net result	–	–	930,229	-930,229
Change of accounting policies	–	–	-15,737	–
Issuance of shares	21	14,151	–	–
Currency translation difference	–	-7,062	-1,451	–
Net result	–	–	–	390,178
Balance at 30 September 2004	2,536	991,201	853,117	390,178
PARENT COMPANY				
<i>Expressed in TSEK</i>				
Balance at 1 January 2003	2,487	1,028,792		-80,904
Transfer of prior year net result	–	-80,904		80,904
Issuance of shares	15	5,346		–
Net result	–	–		-130,593
Balance at 30 September 2003	2,502	953,234		-130,593
New share issue	13	5,063		–
Net result	–	–		-19,554
Balance at 31 December 2003	2,515	958,297		-150,147
Transfer of prior year net result	–	-150,147		150,147
Issuance of shares	21	14,151		–
Net result	–	–		-11,981
Balance at 30 September 2004	2,536	822,301		-11,981

KEY DATA

GROUP	1 Jan 2004–	1 Jul 2004–	1 Jan 2003–	1 Jul 2003–	1 Jan 2003–
	30 Sep 2004	30 Sep 2004	30 Sep 2003	30 Sep 2003	31 Dec 2003
	9 months	3 months	9 months	3 months	12 months
Return on equity, % ¹	19	6	66	2	67
Return on capital employed, % ²	17	7	51	3	50
Debt/equity ratio, % ³	74	74	–	–	–
Equity ratio, % ⁴	35	35	69	69	69
Share of risk capital, % ⁵	52	52	78	78	78
Interest coverage ratio, % ⁶	1,293	1,372	2,554	653	1,559
Operating cash flow/interest expenses, % ⁷	2,391	2,143	1,212	1,740	1,011
Yield, % ⁸	–	–	–	–	–

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

2 Return on capital employed is defined as the Group's income before tax plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average balance sheet total less non interest-bearing liabilities).

3 Debt/equity ratio is defined as the Group's interest-bearing liabilities less cash and bank in relation to shareholders' equity.

4 Equity ratio is defined as the Group's shareholders' equity, including minority interest, in relation to balance sheet total.

5 Share of risk capital is defined as the sum of the shareholders' equity and deferred taxes, including minority interest, divided by balance sheet total.

6 Interest coverage ratio is defined as the Group's income before tax plus interest expenses plus/less exchange differences on financial loans divided by interest expenses.

7 Operating cash flow/interest expenses is defined as the Group's operating income less production costs and less current taxes divided by the interest charge for the period.

8 Yield is defined as dividend in relation to quoted share price at the end of the financial period.

DATA PER SHARE AND FINANCIAL INFORMATION

GROUP	1 Jan 2004– 30 Sep 2004 9 months	1 Jul 2004– 30 Sep 2004 3 months	1 Jan 2003– 30 Sep 2003 9 months	1 Jul 2003– 30 Sep 2003 3 months	1 Jan 2003– 31 Dec 2003 12 months
Shareholders' equity, SEK ¹	8.82	8.82	7.35	7.35	7.38
Operating cash flow, SEK ²	3.67	1.74	1.87	0.58	2.52
Cash flow used in operations, SEK ³	2.09	1.59	0.96	0.21	0.98
Earnings, SEK ⁴	1.55	0.71	3.68	0.12	3.73
Earnings, (fully diluted), SEK ⁵	1.53	0.70	3.65	0.12	3.71
Dividend, SEK	-	-	-	-	-
Quoted price at the end of the financial period (regards the parent company), SEK	42.90	42.90	16.60	16.60	34.30
Number of shares at period end	253,522,766	253,522,766	250,224,766	250,224,766	251,525,466
Weighted average number of shares for the period ⁶	252,397,444	252,389,878	248,978,700	249,391,421	249,401,389
Weighted average number of shares for the period (fully diluted) ⁵	254,942,101	255,006,717	250,933,079	252,959,864	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 reports:

- The year end result 2004 will be published on 24 February 2005
- Three months report (January – March 2005) will be published on 18 May 2005
- Six months report (January – June 2005) will be published on 17 August 2005
- Nine months report (January – September 2005) will be published on 16 November 2005.

Stockholm 16 November 2004

C. Ashley Heppenstall
President & CEO

The financial information relating to the nine month period ended 30 September 2004 has not been subject to review by the auditors of the company

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