LUNDIN PETROLEUM AB

2002 ANNUAL REPORT

CONTENTS

LUNDIN PETROLEUM AB IS AN INDEPENDENT SWEDISH OIL AND GAS EXPLORATION AND PRODUCTION COMPANY WITH A BALANCED GLOBAL PORTFOLIO OF WORLD CLASS ASSETS.

THE COMPANY IS LISTED ON THE NEW MARKET AT STOCKHOLMSBÖRSEN, SWEDEN (TICKER "LUPE")

Definitions:
References to "Lundin Petroleum" or "the Company" pertain to the corporate group in which Lundin Petroleum AB (publ) (company registration number 556610–8055) is the parent company or to Lundin Petroleum AB (publ), depending on the context.

References to "Coparex" pertain to Lundin International SA (formerly Coparex International SA)

HIGHLIGHTS 2002

FINANCIAL

All figures quoted are for the fourth quarter of 2002 being the first full quarter incorporating the Coparex acquisition

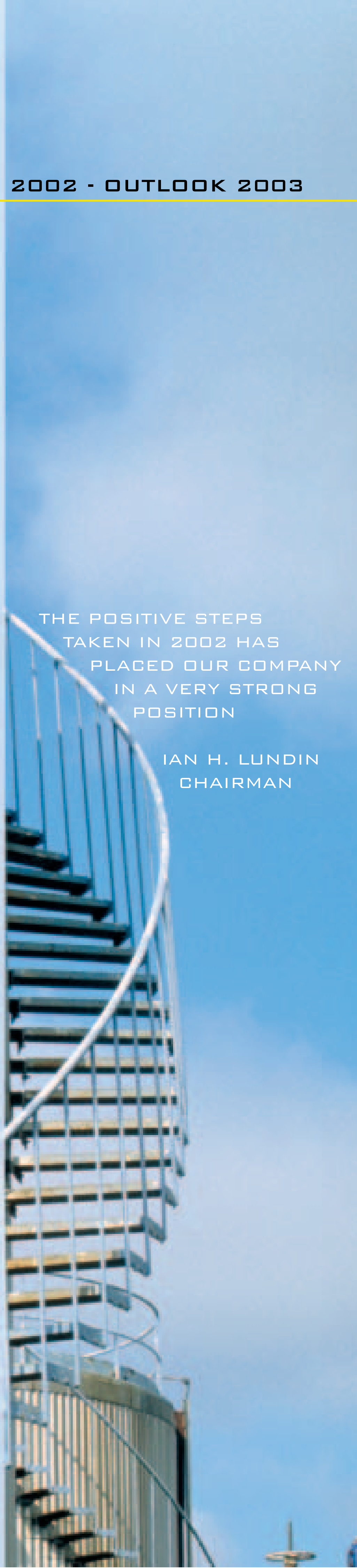
- **Average production 14,573 boe**
- **Average price received per boe USD 24.75**
- **Profit after tax SEK 56.0 million**
- **Operating cashflow SEK 106.1 million**

OPERATIONAL

- **Acquisition of Coparex including:**
  - -55 mmboe of proven and probable reserves
  - -15,000 boepd of existing production
  - -Upside from undeveloped discoveries and exploration portfolio
- **Completion of extensive 2D seismic program in Iran**

OUTLOOK FOR 2003

- **Acquisition of 75% of OER Oil AS, Norway**
- **Forecast production of 17,000 boepd**
- **Extensive exploration program for 2003**
  - -Exploration drilling to commence in Iran
  - -Three exploration wells to be drilled in Indonesia
  - -Exploration well to be drilled in the Val des Marais with the potential to double the Paris Basin reserves in France
  - -Preparation to resume drilling operations in Sudan
  - -Three exploration wells to be drilled in the Netherlands
  - -Seismic acquisition in Indonesia
- **Development program for 2003**
  - -12 development wells in Salawati Basin and Salawati Island, Indonesia
  - -Drilling in Aquitaine Basin, France
  - -Further development of La Palma field, Venezuela
  - -Four new development wells, offshore Netherlands



THE POSITIVE STEPS TAKEN IN 2002 HAS PLACED OUR COMPANY IN A VERY STRONG POSITION

IAN H. LUNDIN
CHAIRMAN

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,
2002 was an extremely successful year for Lundin Petroleum.

Our objective as an independent oil and gas company is to create financial value for our shareholders. We seek to do this by discovering or acquiring oil and gas reserves which we then put into production to generate cash flow. In 2002 we met our objectives.

The catalyst for our success during the year was the acquisition of Coparex. This acquisition has provided us with a low risk diverse portfolio of producing oil and gas assets. As a result we expect to produce in excess of 17,000 boepd in 2003 generating operating cash flow in excess of USD 65 million assuming a Brent oil price of USD 25 per bbl. As well as providing a reliable cash flow stream for many years to come, our assets have plenty of growth opportunities left.

We plan to grow the business further by re-investing the cash flow into our development and exploration assets, and by following a dual approach towards reserves and production growth:

- We continue to evaluate deals to acquire further producing assets particularly in areas where we have existing technical skills and knowledge.

- We retain our fundamental strategy to create value through exploration. In 2003 we will be drilling approximately 10 exploration wells. We believe our exploration projects in countries like Iran, Sudan and Albania have the potential for very large reserves. In Indonesia, France and The Netherlands our exploration strategy complements the existing production but nevertheless still provides material exposure to new discoveries.

Let’s look in more detail at our plans for 2003:

France
We continue to invest in our existing fields through optimisation programs. We also plan to drill the Val des Marais exploration well in mid-year 2003 which has the potential to double our Paris Basin reserves .

In the Aquitaine Basin the Les Pins and Courbey producing fields are not yet fully developed. The Les Pins development well to be drilled in mid-year will increase production from this area.

Netherlands
The Dutch government continues to provide a market for all new discovered gas. As a result we continue to invest in development optimisation and exploration wells close to existing infrastructure.

Tunisia
The Isis field offshore Tunisia continues to perform ahead of expectation. Whilst there is limited planned activity in 2003 we continue to review the feasibility of further development wells on the Isis field as well as the Oudna field development.

Venezuela
The political problems in Venezuela only had a short term impact on production. We are now back close to production capacity and continue to be encouraged by the potential for production and reserve growth in the Colón Block. The full development of the La Palma field will allow us to keep production at current levels for a number of years.

Indonesia
Our Indonesian production has been ahead of forecast and we are encouraged by the early results from the new development well program in the Salawati region. In addition ongoing 3D seismic in the region will firm up drilling locations for an exploration drilling program later in the year. We continue to invest in seismic acquisition in our Blora and Banyumas concessions, onshore Java which we expect will lead to an exploration drilling program in 2004.

Sudan
We plan to maintain a strong presence in Sudan. The remaining potential is very significant in the Muglad Basin in which both Blocks 5A and 5B are located. I believe this will result in a major reserve increase for Lundin Petroleum.

Iran
The Munir concession onshore Iran is a classic example of Lundin Petroleum’s exploration strategy. We seek exposure to low technical risk areas close to existing infrastructure where discovery will have a major impact on the value of our company. Iran has lacked exploration investment for a number of years. The results of the recently completed Munir 537 km 2D seismic acquisition are very encouraging and we will commence a two well back to back exploration drilling program in the second half of this year.

People are our most important asset. We continue to invest in a high quality team particularly on the technical side. I believe we have the assets, personnel and financial capacity to grow Lundin Petroleum further during 2003.

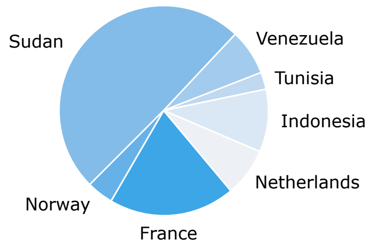
Meanwhile the oil price continues to be affected by an uncertain economic and political climate. The impact of the problems in Venezuela and Nigeria and above all the war in Iraq, have been clear in terms of oil market volatility. It is however important that OPEC have over the past months experienced strong discipline in the control of supply which has underpinned the oil price independent of these supply disruptions. We do not expect this to change irrespective of other events on the world stage. The bottom line is that whilst Lundin Petroleum is benefiting from the strong oil prices our growth will continue to be driven from reserves and production increases.

The oil and gas industry has remained the largest industry in the world over recent years. I believe it will remain so for the foreseeable future and that it presents excellent opportunities for our Swedish independent oil company.

Yours sincerely,

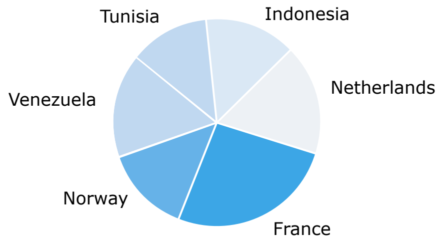
C. ASHLEY HEPPENSTALL
PRESIDENT AND CEO

LUNDIN PETROLEUM
PROVEN & PROBABLE RESERVES 2003



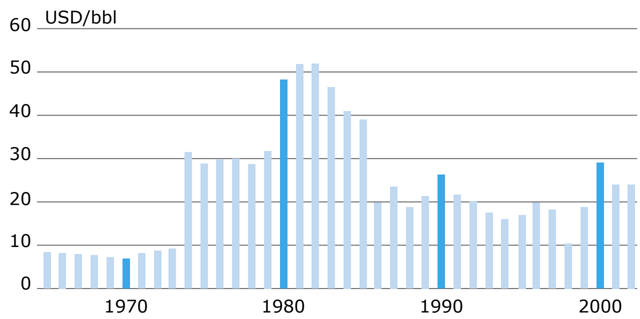
Total 122 MMBOE

LUNDIN PETROLEUM PRODUCTION FORECAST 2003



Total over 17,000 BOEPD

OIL PRICE DEVELOPMENT IN REAL TERMS



Source: Tor Wergeland / BP Statistical Review / Pareto Securities

LOOKING TO THE FUTURE

A Word from the Chairman,

2002 was the first full year of operation for Lundin Petroleum. It was also a very important year for the peace process in Sudan and for the oil industry in general.

The acquisition of Coparex transformed the Company from a pure exploration player with a focus on Sudan and Iran into an integrated upstream company with production of over 15,000 barrels of oil equivalent per day from France, Netherlands, Tunisia, Indonesia and Venezuela. The timing of the acquisition, which was signed in June 2002, could not have been better as it coincided with a significant upward shift in the oil price. We have since acquired 75% of a small Norwegian oil company that has already 2,000 boepd of production under its belt and is in an excellent position to acquire more assets on the Norwegian Continental Shelf.

Conventional wisdom says that the oil price is purely driven by tensions in the Middle East and by the Iraq issue in particular. However those of us who are watching the industry on a daily basis have seen an emergence of two important trends that must be having an important long-term impact on the price. The first major trend is that worldwide exploration activity is dropping at an alarming rate; for example the number of wells drilled in 2002 was 50% lower than in 1997. It is clear that there are not enough new fields being discovered and coming on stream to keep up with the growth in demand or simply to replace existing production. Several studies have estimated 2010 to be a critical year where global production will start to decline. 40% of the production from that year onwards will have to be generated from new oil, i.e. future discoveries. The challenge for the industry is clear: the decline in exploration activity has to be reversed if we want to avoid another energy crisis during the next decade.

The second trend is that major and large independent oil companies have thrown ambitious growth targets to the wayside and are now focusing on simply adding value to their shrinking asset base. The net result is that a lot of the older fields are now coming on the market, creating a new climate of high trading activity. This is good news for smaller and growing companies such as Lundin Petroleum, as the number of opportunities to acquire producing assets is on the increase. It also means that whilst the oil price is set to rise further producing assets can still be bought at reasonable prices.

However, we must not forget that exploration remains our most potent tool in terms of achieving explosive growth. Therefore whilst we will continue to increase production in the short term through acquisitions, we will always maintain an aggressive exploration programme with a potential to make significant discoveries.

I cannot write this letter without saying something about our involvement in Sudan. The industry as a whole has been criticised for working in zones of conflict: companies have been accused of exacerbating conflicts in places like Sudan. What is not said is that the ongoing conflict in that country was largely overlooked by the media until western companies got caught in the middle. In this type of complex and emotionally charged situation reality can be somewhat different from what is portrayed in the press and by special interest groups. What is important to remember is that the fundamental causes of civil strife are almost always poverty and poor re-distribution of wealth. The only way to deal with poverty in the long term is economic growth and the resulting increase in living standards across the board. A country such as Sudan has tremendous potential in terms of wealth creation. The best way to create this wealth and thereby boost economic growth is to develop the country's resources through foreign investment (i.e. benefiting from other people's money and skills). In this regard foreign oil companies have an enormous role to play in Sudan. Based on the limited amount of oil developed and exported to date, the country has already turned the corner economically. Peace will result in more foreign investment, more development and higher economic growth. So not only can oil play an important role in the peace process, it can play an even more important role maintaining peace and stability in the country, if handled properly. The fact is that oil companies, like any other foreign investor, require a peaceful environment in which to conduct operations.

It is indeed very interesting times we are living in, and I would dare to say that at this particular time, there is no better business to be in than the oil business.

Yours sincerely,

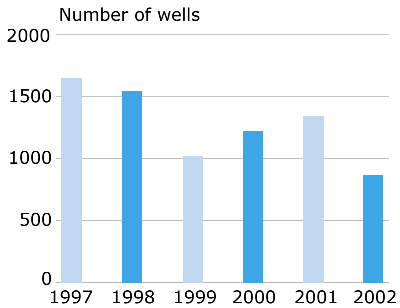
IAN H. LUNDIN
CHAIRMAN

IAN H. LUNDIN
CHAIRMAN

ALEXANDRE SCHNEITER
EXECUTIVE VICE PRESIDENT & COO

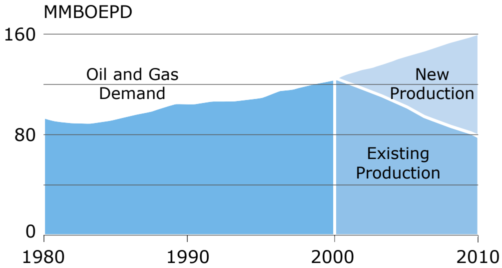
C. ASHLEY HEPPENSTALL
PRESIDENT & CEO

GLOBAL DRILLING TREND



Source: Wood Mackenzie 2003

OIL AND GAS DEMAND



Source: World Energy, Vol 5 n.3, 2002

GLOBAL RESERVES

Crude Oil

Crude oil is found on all continents of the world. The Middle East is by far the region where the largest proven oil reserves are found, followed by South and Central America and Africa. In total, global proven oil reserves amounted to 1,050 billion bbls at the end of 2001, of which 65% was attributable to the Middle East.

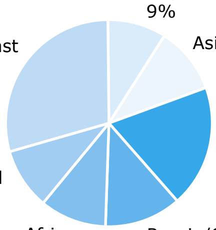
Natural gas

As well as oil, natural gas exists on all continents. However, the reserves of natural gas are distributed differently compared to where the oil reserves are situated. At the end of 2001, there were 155 thousand billion cubic metres of proven natural gas reserves, of which Russia/Caspian and the Middle East both hold 36%.

Sales of crude oil and natural gas

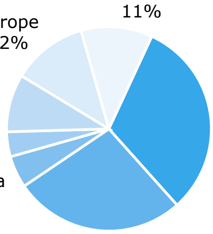
Crude oil is transported globally between producers and consumers primarily by oil tankers, implying that the prices for different qualities of crude oil are relatively homogenous on the world market. Natural gas is primarily transported through pipelines, making the pricing dependent on the field's geographical location in relation to the potential consumer. To a lesser extent natural gas is also transported by tankers in the form of liquefied natural gas.

GLOBAL OIL PRODUCTION 2001



Total Production 74.5 MMBOPD

GLOBAL GAS PRODUCTION 2001



Total Production 2,464 billion m^3

GLOBAL PROVEN OIL AND GAS RESERVES
AT THE END OF 2001

	Oil Reserves (billion barrels)	Gas Reserves (thousand billion m^3)
Europe	19	5
North America	64	8
Africa	77	11
Middle East	686	56
Asia Pacific	44	12
Russia/Caspian	65	56
South and Central America	96	7

Global consumption of crude oil and natural gas

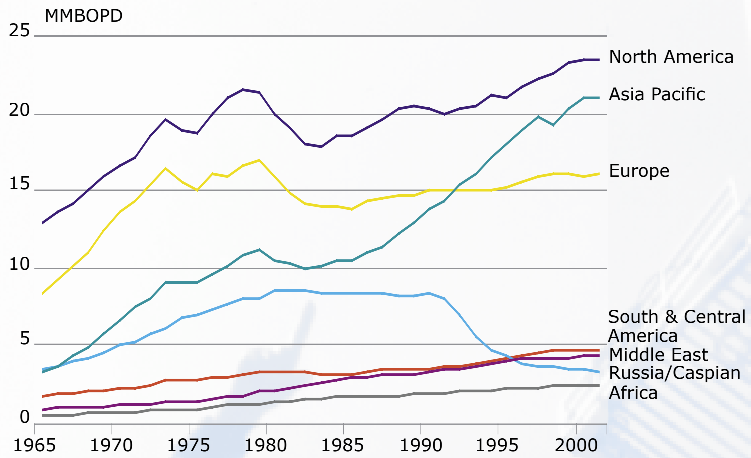
The primary driving force behind the demand for oil is economic growth. To a great extent the world's energy needs are met by fossil fuels, of which oil is the dominant fuel. In developing countries, demand for energy is much in line with economic growth, whereas in industrialised countries the growth in demand is more volatile in comparison with economic growth.

The consumption per capita varies greatly between different regions. North America has by far the greatest consumption per capita, followed by Europe.

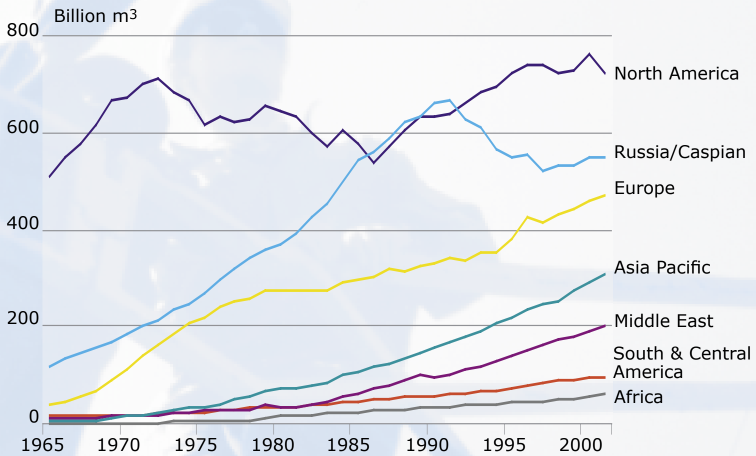
Natural gas is consumed primarily in geographical proximity of the production, resulting in North America, Russia/Caspian and hence Europe being the largest consumers of natural gas.

Statistics source: BP Statistical Review of World Energy 2002

OIL CONSUMPTION PER REGION



GAS CONSUMPTION PER REGION



Statistics source: BP Statistical Review of World Energy 2002

Oil price development

Historically, oil prices have fluctuated widely. Aside from supply and demand, factors affecting the oil prices include global and regional economic and political developments in resource producing regions as well as the extent to which the Organization of Petroleum Exporting Countries ("OPEC") and other producing nations influence global production levels. In addition, prices of alternative fuels, global economic conditions and weather conditions affect the oil price.

OPEC

OPEC is an international organisation founded in 1960, consisting of eleven oil exporting nations. Representatives of the member countries meet at least twice a year to decide on output levels, hence adjusting the global supply of oil. Together with some of the large non-member oil producers following the organisation's recommendations, OPEC has a strong impact on the price of oil.

The OPEC members supply roughly 40% of the world's output and possess more than three-quarters of the world's total proven crude oil reserves.

OPEC members are: Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

LUNDIN PETROLEUM'S GLOBAL PRESENCE

Global presence
Lundin Petroleum's vision is to build a significant oil and gas exploration and production company, which will deliver constant growth and provide increasing value to its shareholders.

Lundin Petroleum today has a balanced portfolio of assets ranging from frontier exploration to mature production. Lundin Petroleum seeks to increase this portfolio through further strategic acquisitions and through internal growth.

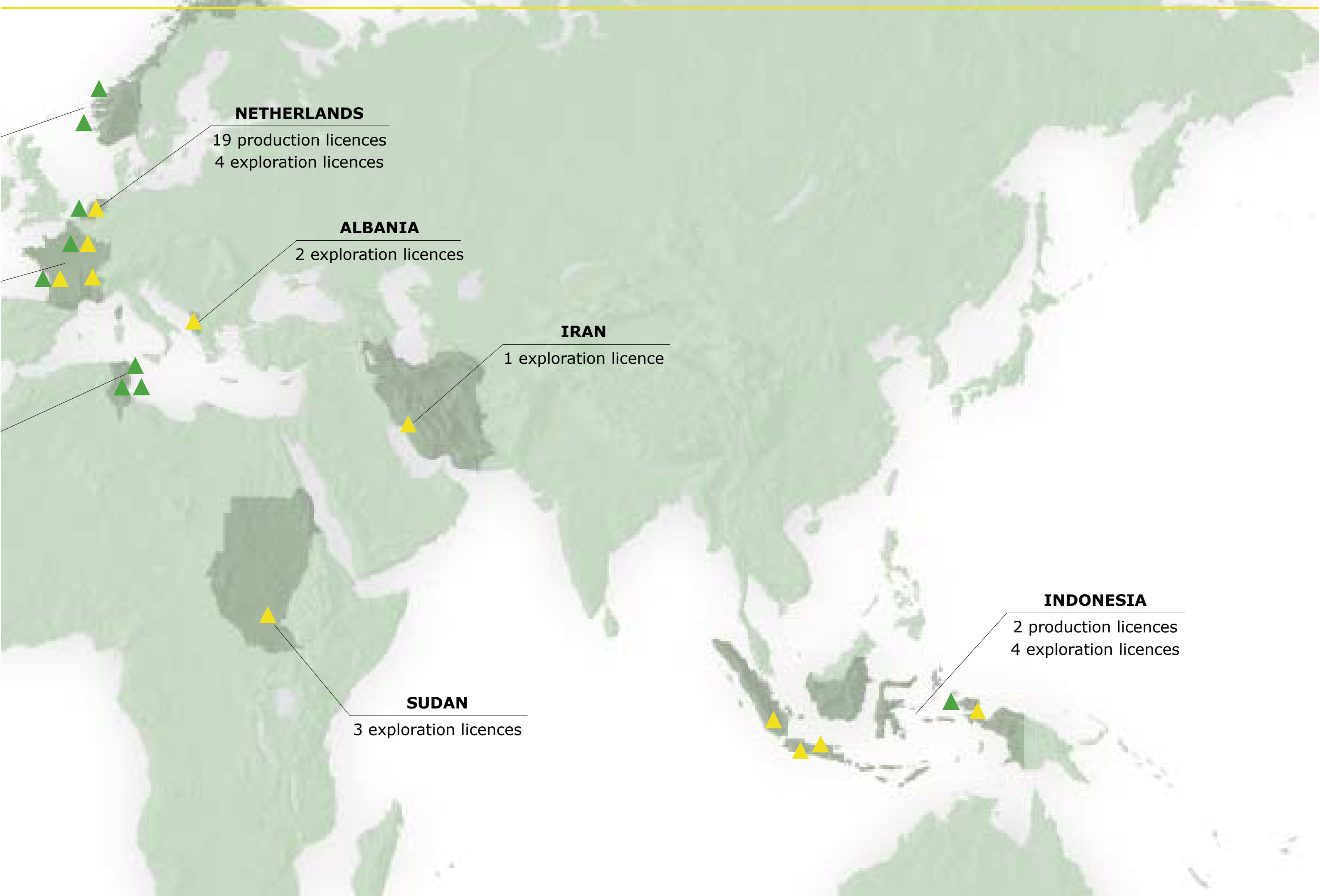
Exploration
Exploration is a core business for Lundin Petroleum. Lundin Petroleum seeks exploration opportunities where success will make a material difference to the value of the Company. Lundin Petroleum is exploring for oil and gas in some of the most prolific oil producing regions in the world where any discovery will have a major impact on its existing reserve base and future growth.

The exploration program for 2003 consists of drilling approximately 10 exploration wells and the acquisition of 1,200 kilometres of 2D and 580 square kilometres of 3D seismic.

Development
Lundin Petroleum has several development projects at different stages of maturity in the Far East, North Africa and Europe. Each of them has the potential to increase current production levels.

Production
Lundin Petroleum has very stable production from mature fields in Europe, South America, North Africa and the Far East. Production from these regions is optimised by workover techniques, injection programs and ongoing development projects. It is expected that production from these fields will continue for many years to come providing the Company with a stable and predictable cash flow.

CONCESSION TABLE



COUNTRY	CONCESSION	LUNDIN PETROLEUM WORKING INTEREST (%)	OPERATOR	GROSS AREA (KM^2)
Albania	Blocks D & E	100.00	Lundin	1,391
France	20 Licences	77.26 *	Lundin (15) Esso Rep (5)	2,901
Indonesia	6 Licences	40.65*	Lundin (3) PetroChina (2) Medco (1)	14,778
Iran	Munir Block	30.00	Edison	2,690
Netherlands	23 Licences	5.40*	TotalFinaElf (18) NAM (4) Wintershall (1)	4,894
Norway	Brage & Njord	3.462*	Norsk Hydro	229
Sudan	Blocks 5A, 5B & Halaib	54.96*	Lundin (2) Petronas/Sudapet (1)	51,340
Tunisia **	6 Licences	48.50*	Lundin (4) CFTP (2)	1,292
Venezuela	Colón Block	12.50	Tecpetrol	3,247

* Average working interest in this country of operation ** Zelfa licence in Tunisia pending final government approval

FRANCE

France is one of the major operated producing areas of Lundin Petroleum. Lundin Petroleum is operator and/or partner in 20 production and exploration licences in the Paris and Aquitaine Basins. Facilities and infrastructure are in place with excess capacity to enable future development.

Through selective drilling programs, investments in new projects and continued operational improvements, the French assets will continue to contribute significantly to Lundin Petroleum's cash flow and profitability for many years to come.

Paris Basin Production

Lundin Petroleum operates eleven production licences in the central part of the Paris Basin. Net proven and probable reserves are 13 million barrels of oil, yielding a daily average 2003 production forecast of 3,300 bopd net to Lundin Petroleum. The majority of these fields are expected to produce at economic levels for the next 20 years.

The largest production asset is the Villeperdue field which produces over 2,000 bopd and accounts for 60% of Lundin Petroleum's production in the Paris Basin. Lundin Petroleum is operator and has a 100% working interest in the Villeperdue field.

Reservoir management is key to enhancing the long-term performance of the fields. Production is optimised by using a variety of workover techniques, water injection and development drilling programs. The drilling of horizontal producers as well as horizontal injectors has proved successful.

The balance of the production in the Paris Basin is generated from several smaller fields where production is maintained through active ongoing development projects with the objective to maintain/increase production.

The Lundin Petroleum owned pipeline from Villeperdue to the Grandpuits refinery provides additional revenue from income through transportation of third party oil.

Paris Basin Exploration

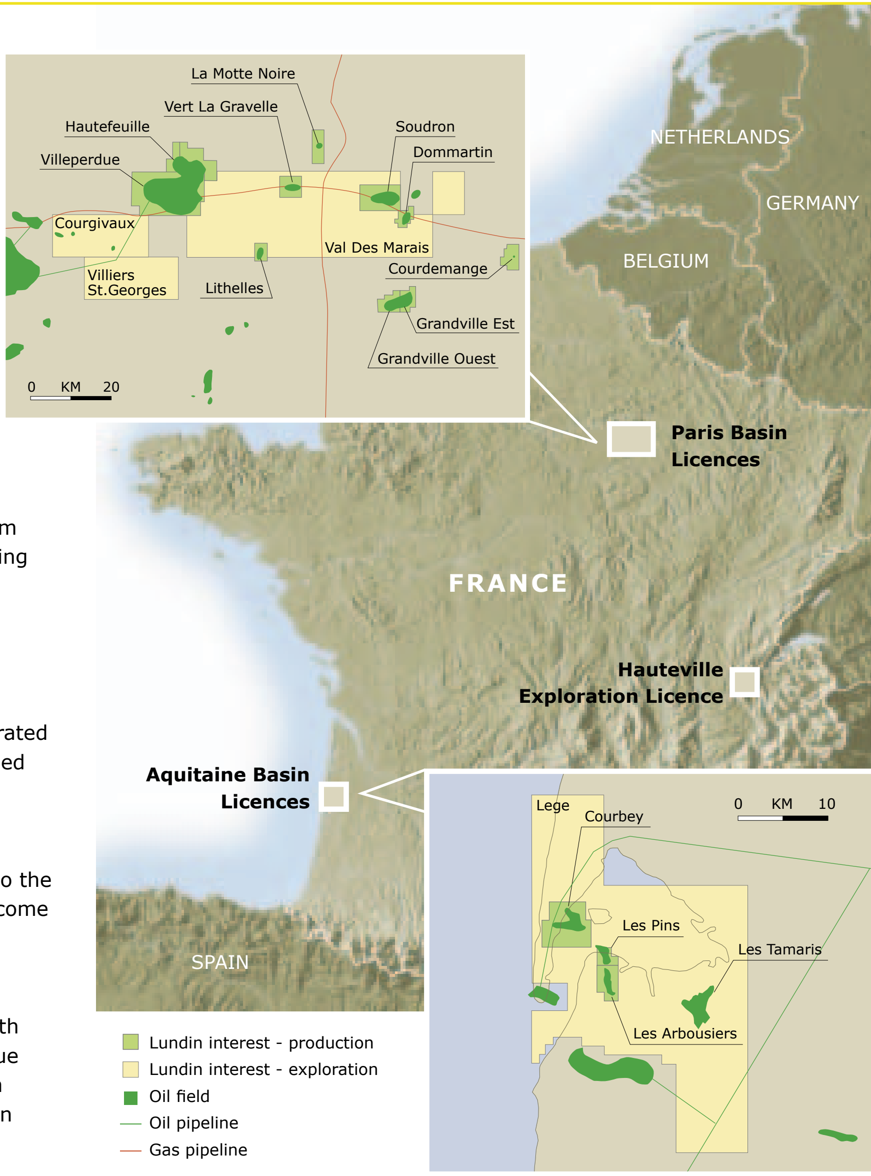
Lundin Petroleum operates three exploration licences with further exploration potential on trend with the Villeperdue field. The Val des Marais prospect which will be drilled in the third quarter 2003 has the potential to double Lundin Petroleum's existing reserves in the Paris Basin.

Aquitaine Basin

Lundin Petroleum has a 50% working interest in four production licences and one exploration licence in the Aquitaine basin. Esso Rep is the operator. The Courbey and Les Pins fields extend below the Bay of Arcachon and are developed via deviated wells drilled from onshore facilities. Les Arbousiers and Tamaris are onshore fields.

Net proven and probable reserves are in excess of 10 million barrels of oil and the 2003 production forecast is 1,300 bopd net to Lundin Petroleum. One development well is planned in the Les Pins field in the third quarter of 2003 to enhance existing production.

The Lege exploration licence includes the Tamaris discovery and four well-defined exploration prospects.



FRANCE HIGHLIGHTS

- 15 PRODUCTION & 5 EXPLORATION LICENCES
- NET PRODUCTION FORECAST: 4600 BOPD
- NET RESERVES: 23.0 MMBO

NETHERLANDS

The Netherlands is a mature gas province with attractive fiscal terms providing Lundin Petroleum with stable, long-term onshore and offshore production. Net proven and probable reserves are 9 million boe and forecast 2003 production from 19 offshore and onshore gas producing licences is 3,000 boepd.

Natural gas is the most important energy source produced in the Netherlands with the government playing an active role in the natural gas value chain.

The Dutch government continues to provide a market for all discovered gas through its marginal gas policy. As a result several development and exploration projects are ongoing to maintain and increase current production profiles.

Production

Production in the Netherlands is generated from non-operated interests onshore and offshore. All of the licences are close to existing infrastructure.

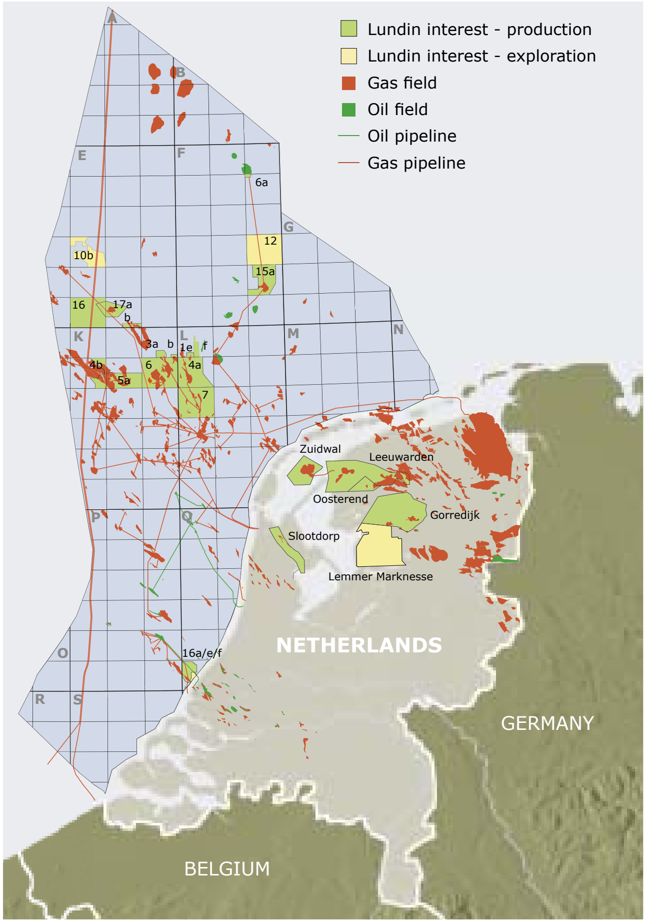
Lundin Petroleum has interests in a number of offshore platforms, subsea developments, onshore wells and onshore treatment facilities providing additional revenues through transportation of third party gas.

Although most of the producing fields are mature, additional infill drilling and development opportunities are actively pursued. During 2003 the plan is to drill four new offshore development wells. Furthermore, previously uneconomic fields are currently being re-engineered using new development concepts and are likely to be developed in the near future.

Exploration

In addition to the production licences, Lundin Petroleum also holds interests in three offshore exploration licences and one exploration licence onshore in which the working interest ranges from 1.45% to 13.58%.

During 2003 three new exploration wells are planned to be drilled and will test onshore accumulations close to existing infrastructure. If successful, these discoveries can be brought on stream with minimum investment and lead time.



NETHERLANDS HIGHLIGHTS

- 19 PRODUCTION & 4 EXPLORATION LICENCES
- NET PRODUCTION FORECAST: 3000 BOEPD
- NET RESERVES: 9.0 MMBOE
- THREE EXPLORATION WELLS IN 2003

L7 CENTRAL PROCESSING PLATFORM, NETHERLANDS

NORWAY

In January 2003 Lundin Petroleum acquired a 75% interest of a Norwegian oil company OER Oil AS (OER) with a production forecast for 2003 of 2,400 boepd and reserves of 5.0 million boe from the Njord and Brage fields. This is the first acquisition that enables Lundin Petroleum to enter the prolific Norwegian Continental Shelf. The Norwegian sector of the North Sea is becoming accessible to independent oil companies like Lundin Petroleum, as major companies are rationalising their portfolios and selling non core assets.

Production

The Brage field is a mature producing field with gross production forecast for 2003 of 32,000 boepd. Norsk Hydro is the operator and OER has a 4.4% working interest in the field which has been in production since 1993. Production is optimised by water injection and for the remaining life of the field the main objective will be to identify further infill drilling locations and reduce the operating costs.

The Njord field is another mature producing asset situated on the Haltenbanken on the Norwegian Continental Shelf. OER has a 2.5% working interest in this asset which is also operated by Norsk Hydro. Gross production forecast for 2003 is 32,000 boepd from 13 producing wells. The gas produced to date has been re-injected to maintain production. In order to maximise the value of the gas reserves, transportation and sales agreement are being negotiated to enable the value of the remaining gas reserves to be monetised.

BRAGE PLATFORM, NORWAY

NORWAY HIGHLIGHTS

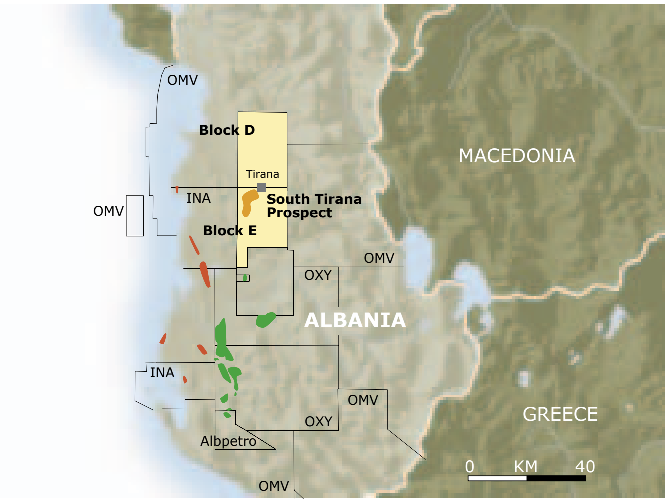
- 2 PRODUCTION LICENCES
- NET PRODUCTION FORECAST: 2400 BOEPD
- NET RESERVES: 5.0 MMBOE

ALBANIA

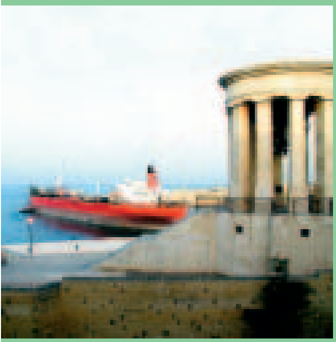
Lundin Petroleum is the operator of two onshore blocks, Blocks “D” and “E” in which it has a 100% working interest. At the end of 2002 a Farmout Agreement was signed with Preussag which will reduce Lundin Petroleum’s interest in Blocks D and E to 66.7% once drilling operations commence. As part of the Agreement, Preussag will pay a carry on the part of the costs of the first well in order to purchase a 33.3% working interest.

During 2002, as a result of extensive geological and geophysical studies Lundin Petrolem defined the Tirana prospective trend which extends over Block “D” and “E” and which is directly on trend with an existing discovery made in 2001 by Occidental (Shpiragu-1 well). Along this trend a large sub thrust prospect was defined within Block “D” and “E”, called the “Tirana South” prospect.

Drilling preparation of the Tirana South-1 exploration well is ongoing and the plan is to drill the well towards the fourth quarter of 2003.



Lundin interest - exploration
Oil field
Gas field
Prospect



TUNISIA
Lundin Petroleum has three production licences and three development licences onshore and offshore Tunisia. With a daily net production of 2,200 boepd the Tunisian assets contribute a stable cash flow and provide Lundin Petroleum with further potential development projects and exploration potential.

Production
Lundin Petroleum is the operator and holds a 40% working interest in the offshore Isis field. The current main objective with regard to Isis is to identify additional development opportunities to increase production from the current 6,000 bopd (gross). The Isis field was discovered in 1974 and was brought on stream in 2001 via an FPSO (floating production, storage and offloading vessel).

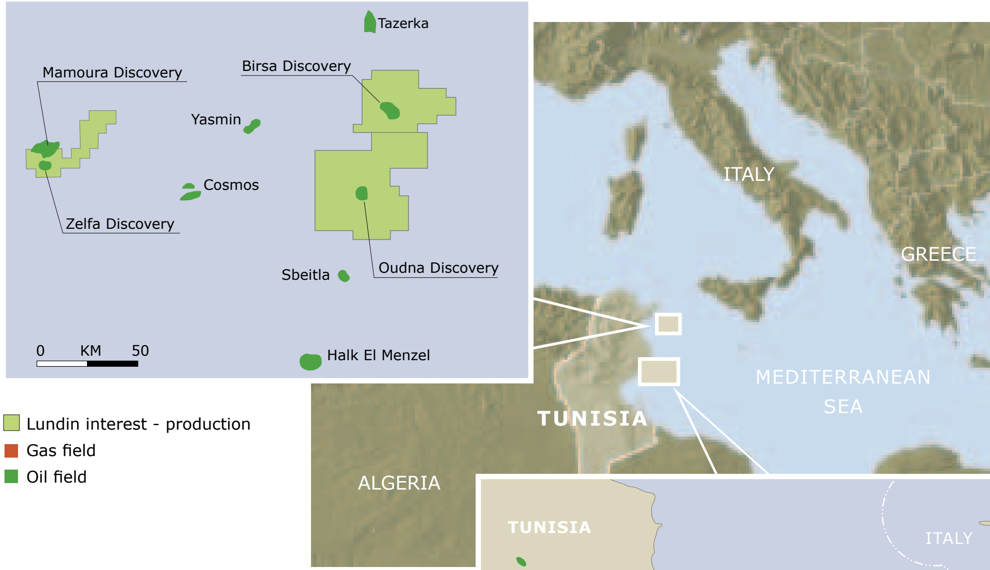
While investigating development opportunities of the Isis field, several other studies have been completed to maintain and further increase production of the field. Gas lifting has recently been implemented and has had an immediate positive impact on the overall production of the Isis field. From an operational point of view the Company continues to investigate ways to reduce operating costs and optimise the overall efficiency of the operations.

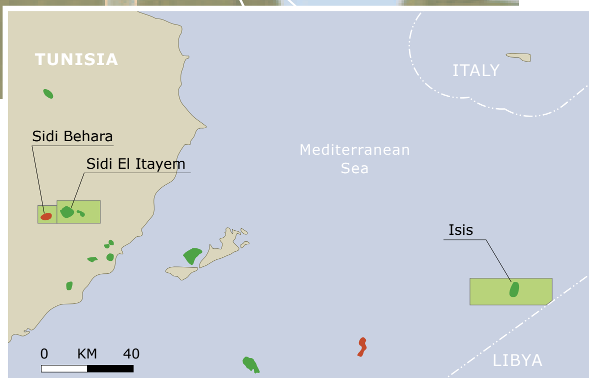
Together with the Tunisian government, Lundin Petroleum holds 50% of a production company, Compagnie Franco Tunisienne des Pétroles (CFTP) which operates the Sidi el Itayem field. Daily net production from the field is over 200 bopd.

Development
Lundin Petroleum has interests in three development licences with existing discoveries; Oudna, Birsa and Zelfa.

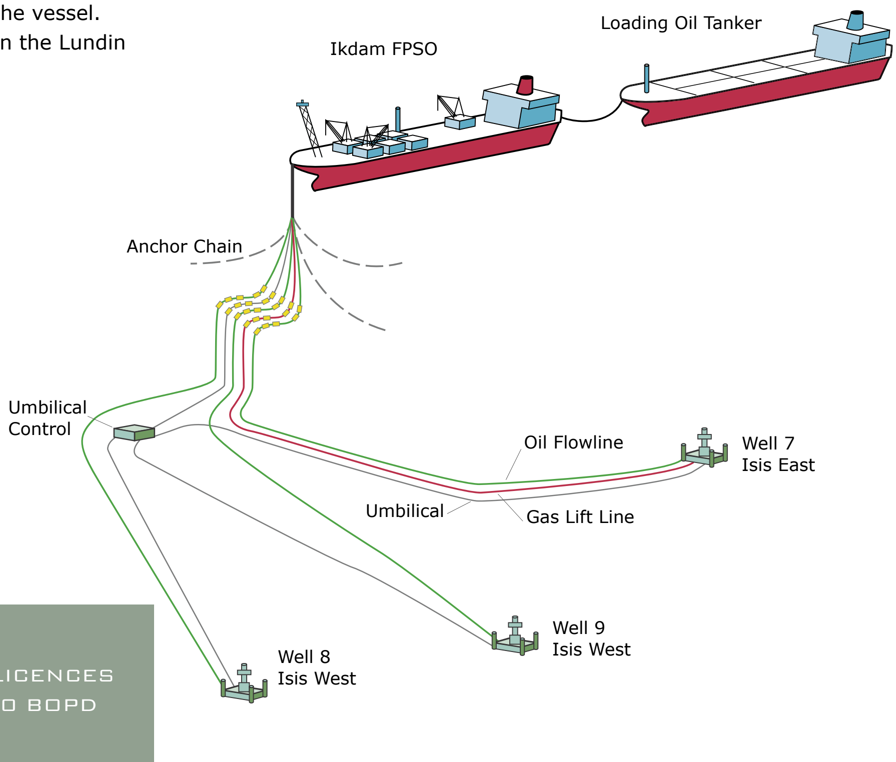
The Oudna-1 well was drilled in 1978 and tested 7,000 bopd. A 3D seismic acquisition program was subsequently acquired on the structure to further delineate the field. Detailed ongoing development studies are being completed on the offshore Oudna development licence with the objective to further optimise the development plan for submission to partners and government. The field could be developed using the same FPSO presently operating on the Isis field or in the event the Isis field life is extended, Oudna could be developed independently.

Birsa and Zelfa are also being evaluated for further development with pre-feasibility studies being carried out on each field.





Ikdam FPSO
Ikdam Production SA is the company which owns the Ikdam vessel (FPSO). Ikdam Production SA is owned by Lundin Petroleum (40%), PGS (40%) and Brodvig (20%). The commercial arrangement is such that Lundin Petroleum and PGS each have a 50% commercial interest in the vessel. Ikdam Production SA is not fully consolidated in the Lundin Petroleum accounts.



ISIS FIELD SCHEMATIC

TUNISIA HIGHLIGHTS

- 3 PRODUCTION, 3 DEVELOPMENT LICENCES
- NET PRODUCTION FORECAST: 2200 BOPD
- NET RESERVES: 3.2 MMBOE

SUDAN
Lundin Petroleum is the operator and has a 40.375% working interest in Block 5A onshore Sudan. The block is situated in the prolific Muglad Basin of southern Sudan where over one billion barrels of oil have already been discovered and approximately 300,000 bopd are being produced from fields directly to the north of the Block 5A which are operated by the Greater Nile Petroleum Operating Company (GNPOC).

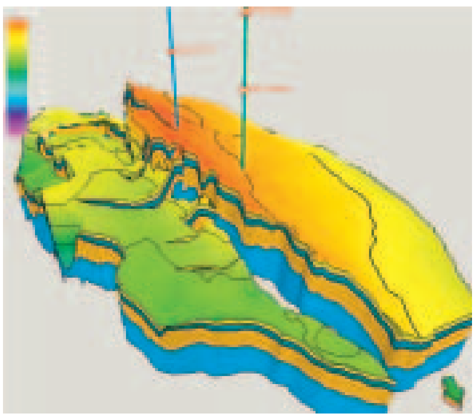
The year 2002 was frustrating from an operational perspective with operations remaining suspended due to ongoing security problems. However, progress was made between the Government of Sudan and the Sudan People's Liberation Movement (SPLM) towards reaching a sustainable peace agreement for the country.

Sudan Block 5A
In 1999 Lundin Petroleum discovered the Thar Jath field with its first exploration well in Block 5A. The Thar Jath field is large with over a billion barrels of oil in place. A further appraisal well and 3D seismic have been completed on the Thar Jath field. A third party reservoir engineering study was completed in early 2002 assigning proven and probable gross recoverable reserves of 149.1 million barrels of oil in the field, net to Lundin Petroleum of 60 million barrels.

Lundin interest - exploration
GNPOC interest
Oil field
Oil pipeline

A preliminary development plan has been completed on the Thar Jath project using technologies tried and tested in the GNPOC fields to the north of Block 5A. Other technologies not yet introduced in Sudan are being investigated to increase the production rate and the ultimate recovery from this large and complex reservoir. The oil will be exported via the existing 1,500 km pipeline that extends from the Muglad Basin to the Red Sea coast.

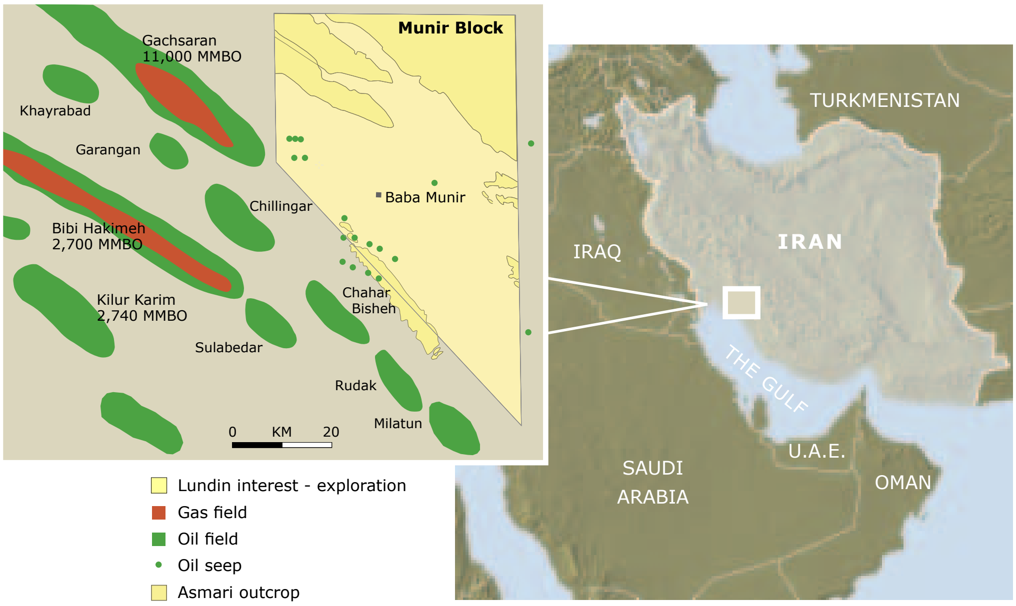
The exploration potential of Block 5A is very large and prospective. During 2002 the Company completed a detailed exploration review of Block 5A confirming the potential of the area.



THAR JATH 3D GEOLOGICAL MODEL

At the time of publishing this report, limited operations on Block 5A had recommenced. The positive progress in relation to a peace agreement including the current ceasefire have enabled operations to recommence and it is now hoped this will lead to a full resumption of exploration drilling and the development of the Thar Jath field.

PHOTO SEQUENCE
FRESHWATER FILTRATION UNIT INSTALLATION



Sudan Block 5B
The agreement covering Block 5B, in which Lundin Petroleum has a 24.5% working interest, was signed in 2001. Although the Consortium (consisting of OMV (Sudan) Exploration Gmbh, Petronas Carigali Overseas Sdn Bhd, Sudapet and Lundin Petroleum) is the same for Block 5A, Block 5B is operated jointly by Petronas and Sudapet.

Block 5B is also located in the prolific Muglad Basin directly adjacent to Block 5A. Together Block 5A and Block 5B cover the entire southern half of the Basin, an area roughly equivalent in size to Switzerland. Given the ongoing insecurity in the area, operations on Block 5B have not yet commenced. However, Block 5B does contain numerous large prospects and leads identified from earlier seismic acquired by Chevron.

HELICOPTER SUPPORT DURING MUNIR SEISMIC SURVEY

IRAN
Lundin Petroleum has a 30% non-operated working interest in the Munir Exploration Block, onshore Iran. The Block is located in the prolific petroleum system of the Zagros Fold Belt in the Khuzestan province next to and on trend with a number of large producing oil fields. During 2002 Lundin Petroleum farmed out a 10% working interest in the Block to Petronas Carigali Overseas Sdn Bhd.

Munir Block
During 2002 exploration activity focused mainly on a geophysical survey consisting of an extensive 2D seismic program of 537 km. Preliminary results of the seismic acquisition have identified major structures for the upcoming drilling campaign with the first of at least two back to back exploration wells to be drilled in the second half of 2003.

There has been little oil exploration activity in Iran during the last twenty years. The Munir Block despite being part of a prolific hydrocarbon system is essentially unexplored.

INDONESIA HIGHLIGHTS

- 2 PRODUCTION & 4 EXPLORATION LICENCES
- NET PRODUCTION FORECAST: 2500 BOEPD
- NET RESERVES: 11.8 MMBOE
- 3 EXPLORATION WELLS IN 2003
- 12 DEVELOPMENT WELLS IN 2003

INDONESIA

Lundin Petroleum has non-operated working interests in two oil and gas concession areas located onshore/offshore Western Papua, namely Salawati Basin and Salawati Island and one concession onshore South Sumatra, the Lematang Block. The net production forecast for 2003 from these three assets is 2,500 boepd with proven and probable reserves of 11.8 million boe.

Production

Production comes from two locations, Salawati Island and Salawati Basin operated by PetroChina. Salawati Island (13.9% working interest) has four main producing fields, onshore and offshore, whereas the Salawati Basin (25% working interest) has two main onshore fields which include the Walio field. Ongoing activities to enhance production are planned with 12 new infill development wells to be drilled during 2003.

Development

On South Sumatra Lundin Petroleum has a 15% working interest in the Lematang Production Sharing Contract which has a significant gas discovery called Singa. Proven and probable certified reserves are 25 bcf of gas net to Lundin Petroleum. The demand for industrial gas is rapidly increasing in Sumatra and a gas sales agreement is currently being negotiated. Following the conclusion of the sales agreement, development of the Singa gas field will proceed.

Exploration

The acquisition of new 2D and 3D seismic in the Salawati Basin and Salawati Island will define the remaining potential and determine the location for three exploration wells to be drilled during 2003. In the event of a discovery, existing production facilities and infrastucture are in place. Further exploration potential exists on the Blora and Banyumas concession areas. In the Blora Block, where Lundin Petroleum has a 40% working interest, several drillable prospects have already been defined. Further seismic acquisition will be completed during 2003 with the potential for further drilling activity in 2004. In the Banyumas block where Lundin Petroleum has a 50% working interest, new seismic will be acquired over existing leads during 2003.

The Sareba block in Papua (100% working interest) is a high potential frontier exploration area. The interpretation of seismic data on the Nusa lead, acquired in 1999, confirms the existence of a very large lead. Further seismic acquisition will be required to upgrade the Nusa lead into a drillable prospect.

VENEZUELA

Venezuela is one of the world's most prolific petroleum provinces. Lundin Petroleum has a 12.5% working interest in the Colón Block located in the western edge of the Maracaibo Basin, near Lake Maracaibo, where a substantial portion of the oil reserves in Venezuela have been found. Proven and probable reserves net to Lundin Petroleum are 8.8 million barrels of oil and with a net 2003 production forecast of 2,840 boepd. The Block is operated by Tecpetrol, an Argentinian company.

Production was partially affected by the national strikes at the end of 2002 but was restored in early 2003.

Production

Oil and gas is produced from eight individual fields within the Colón Block. In 1999 a new discovery was made, La Palma, which significantly increased the production and the reserves levels in the block. Together with the Rosario and the Socuavo field La Palma is currently the main producer in the concession.

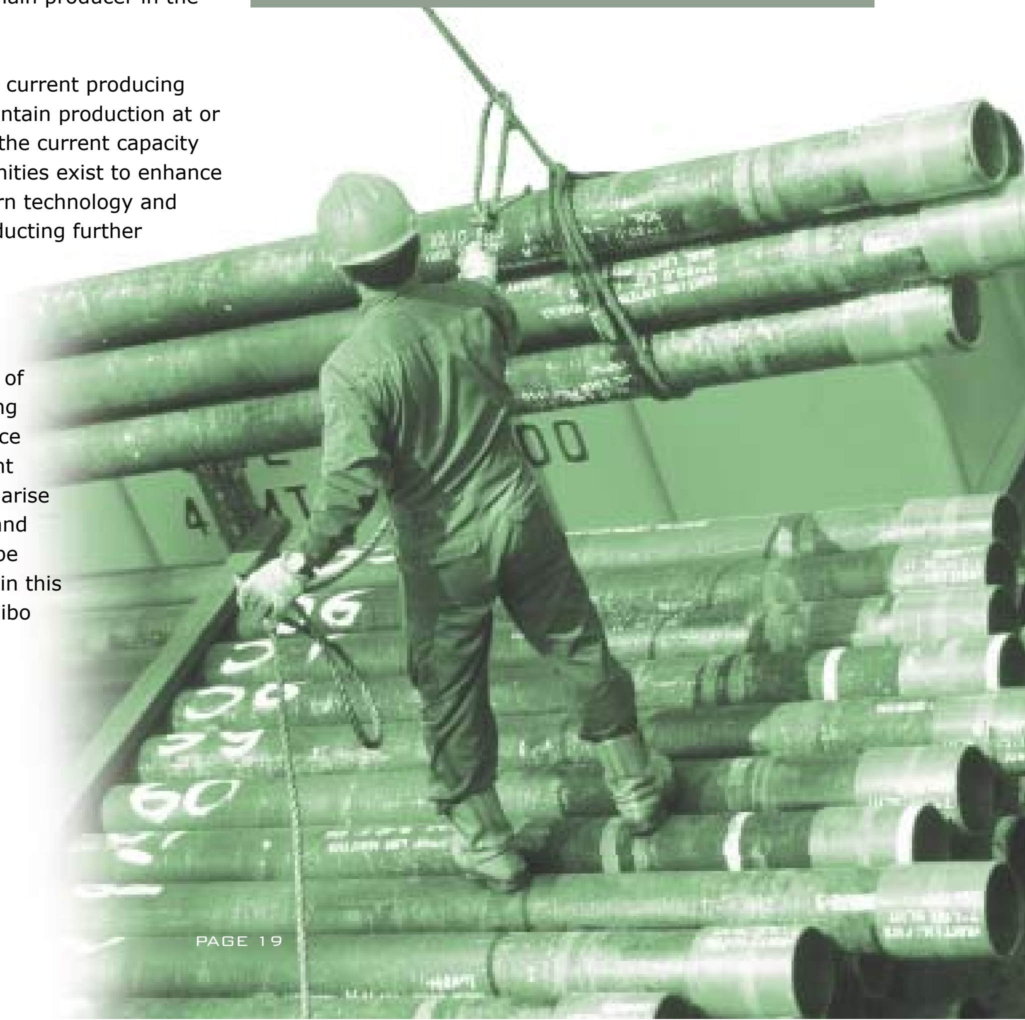
There is considerable capacity within the current producing fields, in particular from La Palma to maintain production at or above the 20,000 bopd (gross) which is the current capacity of the pipeline facilities. Further opportunities exist to enhance production and reserves, applying modern technology and efficient reservoir management and conducting further infill drilling.

Exploration

A number of undrilled prospects have been identified in the Colón block. Some of these prospects are located below existing fields in undrilled reservoirs which produce from other fields in the region. The recent exploration successes have helped to polarise the forward strategy of the partnership and to recognise the considerable impact to be derived from further exploration activity in this underexplored part of the prolific Maracaibo Basin.

VENEZUELA HIGHLIGHTS

- 1 PRODUCTION LICENCE
- NET PRODUCTION FORECAST: 2840 BOEPD
- NET RESERVES: 8.8 MMBOE
- 2 DEVELOPMENT WELLS IN 2003






Code of Conduct
Lundin Petroleum's Code of Conduct sets out the aim "to explore for and produce oil and gas in the most economically efficient, socially responsible and environmentally acceptable way". Lundin Petroleum's mission is to achieve commercial success for the benefits of its shareholders, business partners and employees. It also seeks to act as a good neighbour and make a positive contribution to the quality of life of the nearby population and to the preservation of the environment. [1]

Policies
Lundin Petroleum is now operating in both mature and emerging markets, with varying degrees of regulatory requirements. It is Lundin Petroleum's intention to ensure that the same high standards of conduct apply throughout its operations, while retaining a degree of flexibility for each operation to adapt its actions and programs to local needs and circumstances. The standards it has set out relate to three areas: health and safety, community development and environment.

Health and Safety
Lundin Petroleum believes that the company's overall performance is dependent on the performance of its individual members. It therefore strives to offer its employees a sound working environment in which they can apply and develop their skills. Lundin Petroleum sets out to prevent accidents and ill-health as well as damage or loss to property by identifying, controlling or eliminating hazards and risks through effective planning and implementation. All the operations have in place procedures to deal with emergency situations, ranging from medical problems to environmental hazards.

[1] The full text of the Lundin Petroleum's Code of Conduct can be found on the Company's website.

Policy in Practice
In January 2002, Lundin Petroleum decided to suspend its operations in Sudan, having judged that, under current circumstances, it could not ensure the safety of its staff. The decision to resume operations is predicated on an objective change of circumstances.

Community Development
Lundin Petroleum contributes to the economic development of the areas where it is located. Its contribution can be direct, such as local employment, payment of licences, royalties and taxes, and indirect, such as stimulation or creation of local trades and markets, impact on the economic performance of a region/ country. When operating in populated centres, Lundin Petroleum is attentive to fit in the local context and not disrupt the existing balance. In remote areas, where needs may be greater than opportunities brought about by operations, Lundin Petroleum has chosen to make direct contributions to capacity building projects in the sphere of health, education and freshwater supply. In exceptional circumstances, Lundin Petroleum will also contribute to alleviate humanitarian crises.

Policy in Practice (CDHAP in 2002)
In the course of 2002, Lundin Petroleum spent in excess of USD 1 million on its Community Development and Humanitarian Assistance Program (CDHAP) in Sudan. Among its accomplishments were the construction of a water filtration unit which produces 40,000 liters of freshwater per day, treatment of more than 20,000 patients in temporary health clinics, treatment of over 1,300 cattle, provision of school supplies and/or meals to approximately 1,100 children, funding the construction of a permanent clinic and school, training of 32 paramedics and employment of over 50 local inhabitants to carry out CDHAP projects. A team of seven Sudanese doctors carried out these projects. In addition financial grants were made to Sudanese and international aid organisations.

Environment
Lundin Petroleum considers that attention to environmental matters is a key business requirement, as the cost of damage prevention is far less than the cost of reparation. Good environmental practice requires a proper understanding of risks associated with a particular activity and familiarity with tools and measures to minimise the risks. Lundin Petroleum has a policy of assessing environmental risks prior to engaging in any major work phase and relying both on in-house and external competence to ensure that the best available methods and equipment are used.

Policy in Practice
Lundin Petroleum commissioned a review of the assets acquired through the purchase of Coparex in order to ascertain environmental performance, possible risks and liabilities and remedial measures required. It determined that due to existing good practice and effective planning (i.e. impact assessments, emergency preparedness, rehabilitation plans, etc.), there were no particular problems associated with those assets. Follow up on minor recommendations is taking place to ensure full compliance with Lundin Petroleum's stated goal of minimising potential adverse impacts on the environment.

WILLIAM A. RAND LUKAS H. LUNDIN MAGNUS UNGER
C. ASHLEY HEPPENSTALL ADOLF H. LUNDIN CARL BILDT
ALEXANDRE SCHNEITER IAN H. LUNDIN KAI HIETARINTA

BOARD OF DIRECTORS

Ian H. Lundin, Chairman
Born 1960
Other board duties: none
Bachelor of Science degree in Petroleum Engineering from the University of Tulsa.
Shares in Lundin Petroleum: 16,190,456
Incentive warrants: 1,285,000

Adolf H. Lundin, Honorary Chairman
Born 1932
Other board duties: North Atlantic Natural Resources AB, Vostok Nafta Investment Ltd. and Vostok Energo Investment Ltd,. Atacama Minerals Corp., Champion Resources Inc., South Atlantic Ventures Ltd., Tenke Mining Corp., Valkyries Petroleum Corp.
Master of Science degree (Department of Engineering) from the Royal Institute of Technology, Stockholm. MBA degree from Centre d´Etudes Industrielles, Geneva.
Shares in Lundin Petroleum: 73,000,000
Incentive warrants: nil

Carl Bildt, Director
Born 1949
Other board duties: Chairman of Teleoptimering AB, board member of HiQ AB, Humany AB, Melody Interactive Solutions AB, E. Öhman J:or AB, KREAB, Vostok Nafta Investment Ltd., RAND Corporation and Legg Mason Inc.
Member of the Swedish Parliament 1979–2001. Prime Minister of Sweden 1991–1994. UN Secretary General's Special Envoy for the Balkans 1999–2001.
Shares in Lundin Petroleum: nil
Incentive warrants: nil

C. Ashley Heppenstall, President and Chief Executive Officer
Born 1962
Other board duties: Board member of Champion Resources Inc.
Bachelor of Science degree in Mathematics from the University of Durham.
Shares in Lundin Petroleum: 1,143,250
Incentive warrants: 894,500

Kai Hietarinta, Director
Born 1932
Other board duties: Vostok Nafta Investment Ltd., Vostok Energo Investment Ltd.
Master of Science degree in Engineering from Helsinki University of Technology. MBA from Helsinki School of Economics. Dr of Economics HC from the School of Economics and Business Administration in Turku.
Shares in Lundin Petroleum: nil
Incentive warrants: nil

Lukas H. Lundin, Director
Born 1958
Other board duties: Chairman of Tanganyika Oil Co. Ltd. and International Curator Resources Ltd., board member of North

Atlantic Natural Resources AB, Vostok Nafta Investment Ltd., Tenke Mining Corp., Valkyries Petroleum Corp. and Vostok Energo Investment Ltd.
Graduate from New Mexico Institution of Mining, Technology and Engineering.
Shares in Lundin Petroleum: 708,478
Incentive warrants: nil

William A. Rand, Director
Born 1942
Other board duties:International Curator Resources Ltd., International Uranium Corporation, Tenke Mining Corp. and ResourceCan Ltd.
Commerce degree (Honours Economics) from McGill University. Law degree from Dalhousie University.
Master of Law degree in International Law from the London School of Economics.
Shares in Lundin Petroleum: 104,185
Incentive warrants: nil

Alexandre Schneiter, Executive Vice President and Chief Operating Officer
Born 1962
Other board duties: none
Bachelor of Science in Geology from the University of Geneva and a Masters degree in Geophysics.
Shares in Lundin Petroleum: 50,000
Incentive warrants: 894,500

Magnus Unger, Deputy Managing Director
Born 1942
Other board duties: Chairman of the Odin Group and Mimer Invest AB.
MBA from the Stockholm School of Economics.
Shares in Lundin Petroleum: 79,500
Incentive warrants:156,200

MANAGEMENT

Ian H. Lundin
Chairman, see Board of Directors

C. Ashley Heppenstall
President and Chief Executive Officer, see Board of Directors

Alexandre Schneiter
Executive Vice President and Chief Operating Officer, see Board of Directors

Christine Batruch
Born 1959
Vice President Corporate Responsibility
Shares in Lundin Petroleum: 2,000
Incentive warrants: 89,500

Andrew Harber
Born 1956
Vice President Corporate Services
Shares in Lundin Petroleum: 2,000
Incentive warrants: 156,200

Geoffrey Turbott
Born 1963
Vice President Finance and Chief Financial Officer
Shares in Lundin Petroleum: 2,000
Incentive warrants: 156,200

COMPENSATION COMMITTEE

MEMBERS: William A. Rand (Chairman), Lukas H. Lundin and Kai Hietarinta

The function of the Compensation Committee is to receive information on and determine matters regarding executive compensation. The guiding philosophy of the committee in determining compensation for executives is the need to provide a compensation package that is competitive and motivating, will attract and retain qualified executives, and encourage and motivate performance.

FINANCE COMMITTEE

MEMBERS: Adolf H. Lundin (Chairman), Lukas H. Lundin and William A. Rand

The function of the Finance Committee is to provide a strategic direction to the Management of the Company. The Finance Committee shall receive information on the Company's performance, its future plans and financing requirements. If necessary the Committee may make recommendations to the Board with regards to any changes in corporate strategy in order to ensure that the company remains current, competitive and consistent with the Company's overall goals.

AUDIT COMMITTEE

MEMBERS: William A. Rand (Chairman), Lukas H. Lundin and Magnus Unger

The function of the Audit Committee is to review on behalf of the Board, the Company's quarterly (Q1 and Q3) interim financial statements, review and make recommendations to the Board in relation to the Company's six month and yearly accounts, review audit fees, ensure maintenance of, and compliance with, the Company's internal control systems and liaise with the Group's external auditors as part of the annual audit process.

AUDITORS

Carl-Eric Bohlin
Born 1946
Authorised Public Accountant
Company's auditor since 2001
PricewaterhouseCoopers AB, Stockholm

Klas Brand
Born 1956
Authorised Public Accountant
Company's auditor since 2001
PricewaterhouseCoopers AB, Gothenburg

Deputy Auditor
Bo Hjalmarsson
Born 1960
Authorised Public Accountant
Company's deputy auditor since 2001
PricewaterhouseCoopers AB, Stockholm

For directors remunerations refer to page 55; Directors' Remunerations

Dividend policy

The primary objective of Lundin Petroleum is to add value for the shareholders, employees and society through profitable operations and growth. The added value will be expressed partly by dividends paid and partly by a long-term increase in the share price. This will be achieved by increased hydrocarbon reserves, developing discoveries and thereby increasing production and ultimately cash flow and net income.

The size of the dividend has to be determined by Lundin Petroleum's financial position and the possibilities for growth through profitable investments. Dividends will be paid when Lundin Petroleum generates sustainable cash flow and net income from operations maintaining long-term financial strength and flexibility.

Over time the total return to shareholders is expected to accrue to a greater extent from the increase in share price than from dividends received.

Due to the nature of Lundin Petroleum's operations, the dividend policy is to give funding priority to the ongoing exploration projects, and satisfy the immediate capital requirements of the Company.

The extent to which future dividends can be paid is dependent on when these requirements have been met and Lundin Petroleum is able to generate positive cash flow from oil and gas production.

The acquisition of Coparex has provided Lundin Petroleum with positive operating cash flow from various producing oil and gas properties. Whilst this year Lundin Petroleum has decided to use this cash flow to invest in ongoing development and exploration projects, serious consideration will be given in the future to Lundin Petroleum paying a cash dividend to shareholders.

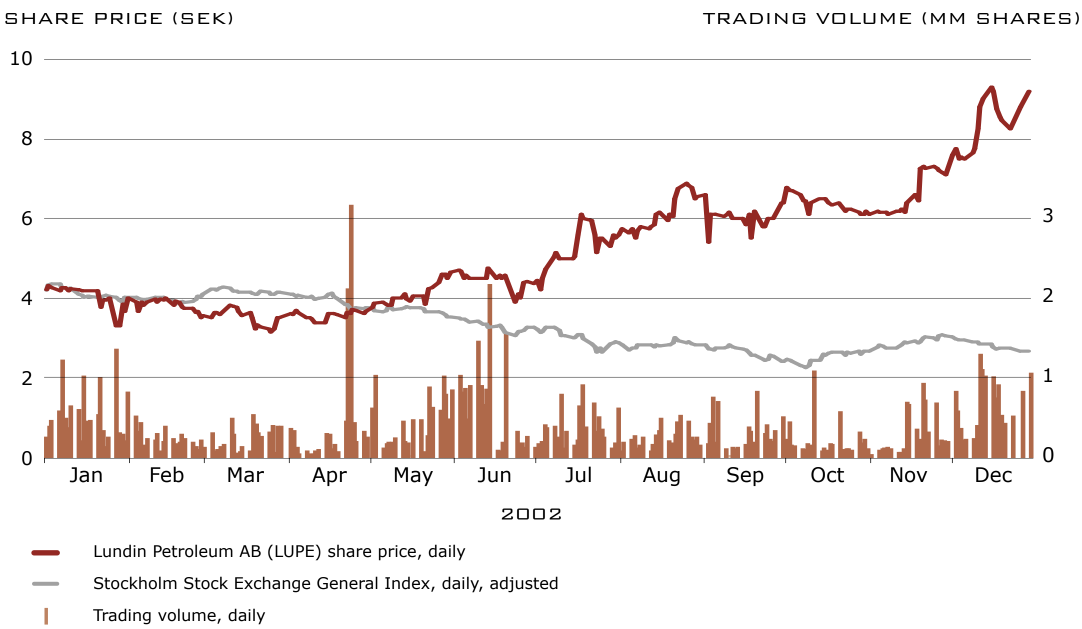
Shares and Warrants Outstanding

Lundin Petroleum's registered share capital at 31 December 2002 amounts to SEK 2,484,491.66 represented by 248,449,166 shares of nominal value SEK 0.01 and representing 1 vote each. All outstanding shares are common shares and carry equal rights to participation in Lundin Petroleum's assets and earnings. An additional 235,850 shares had been issued but not registered as at 31 December 2002.

The Group operates an employee incentive scheme whereby warrants are issued to employees following approval at the AGM. The warrants are issued at the average trading price for the ten days following the AGM. The warrants are issued for a period of three years and are not exercisable during the first year of issue. In the event that all outstanding incentive warrants are exercised the Company will receive an amount of SEK 21,306,515.50 and the number of shares will be diluted by 2.1%.

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 December 2002, 667,700 warrants had been exercised and 2,323,150 remain issued and outstanding.

The 2002 program, approved on 23 May 2002, is for the issue of up to 3,250,000 incentive warrants exercisable during the period 31 May 2003 to 31 May 2005 at a strike price of SEK 4.50. As at 31 December 2002, 2,995,000 incentive warrants had been issued.



Share Data

Since the company was started in May 2001 and up to 31 December 2002 the parent company share capital has developed as shown below:

	Month and Year	Nominal value (SEK)	Change in number of shares	Total number of shares	Total share capital (SEK)	Subscription price(SEK)
Formation of the Company	May 2001	100.00	1,000	1,000	100,000.00	100.00
Share split 10,000:1	June 2001	0.01	9,999,000	10,000,000	100,000.00	-
New Share issue	June 2001	0.01	92,861,283	102,861,283	1,028,612.83	0.01
New Share issue	July 2001	0.01	3,342,501	106,203,784	1,062,037.84	0.01
New Share issue	Nov 2001	0.01	106,203,784	212,407,568	2,124,075.68	3.00
Warrants	June 2002	0.01	35,609,748	248,017,316	2,480,173.16	4.50
Incentive warrants	2002	0.01	667,700	248,685,016	2,486,850.16	3.37
Total			248,685,016	248,685,016	2,486,850.16	

Share Ownership Structure

The 10 largest shareholders according to a report from VPC, 31 March 2003.

Shareholders as at 31 March 2003	Numbers of shares	Subscription capital/votes,%
Lundin, Adolf H	73,000,000	29.4
SIS Segaintersettle	45,527,043	18.3
Lundin Ian H	16,190,456	6.5
Mourgue d'Algue et Cie	6,400,000	2.6
SEB Private Bank	4,787,000	1.9
Deutsche Bank	3,000,000	1.2
Pictet & Cie	2,679,195	1.1
Bank Julius Baer	2,463,461	1.0
Gylling, Bertil	2,375,000	0.9
Investors Life	2,000,000	0.8
Other shareholders	90,262,861	36.3
Total	248,685,016	100.0

Distribution of Shareholdings

Distribution of shareholdings in Lundin Petroleum according to a report from VPC, 31 March 2003.

Size categories as at 31 March 2003	Numbers of shares	Percentage of shares, %	Numbers of shareholders	Percentage of shareholders, %
1 – 500	2,829,431	1.1	14,381	52.9
501 – 1,000	3,593,650	1.4	4,314	15.9
1,001 – 10,000	23,000,000	9.3	7,311	26.9
10,001 – 50,000	20,842,729	8.4	967	3.5
50,001 – 100,000	8,086,422	3.3	115	0.4
100,001 -	190,334,047	76.5	114	0.4
Total	248,685,016	100.0	27.202	100.0

Financial year ended 31 December	2002	2001
Return on equity [1], %	-2	-6
Return on capital employed [2], %	-3	-6
Debt/equity ratio [3], %	89	0
Equity ratio [4], %	34	96
Share of risk capital [5], %	44	96
Interest coverage ratio [6], %	-342	N/a
Operating cash flow/interest ratio [7]	822	-
Yield [8]	-	-
Shareholders' equity SEK per share [9]	3.7	4.1
Operating cash flow SEK per share [10]	0.5	0.0
Cash flow from operations SEK per share [11]	1.1	0.1
Earnings SEK per share [12]	-0.1	-0.4
Earnings SEK per share fully diluted [13]	-0.1	-0.4
Dividend per share	-	-
Quoted price at the end of the financial year (regards the parent company), SEK	9.20	4.25
Number of shares at year end	248,685,016	212,407,568
Weighted average number of shares for the year [14]	232,150,181	105,142,301
Weighted average number of shares for the year (fully diluted)[14]	233,235,711	105,813,439

Key financial ratio definitions

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 in relation to shareholders' equity.

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

5 Share of risk capital is defined as the sum of the shareholders' equity and deferred taxes (including minority interest) divided by total assets.

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

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

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

9 Shareholders' equity SEK per share is defined as the Group's shareholders' equity divided by the number of shares at year end.

10 Operating cash flow SEK 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 year.

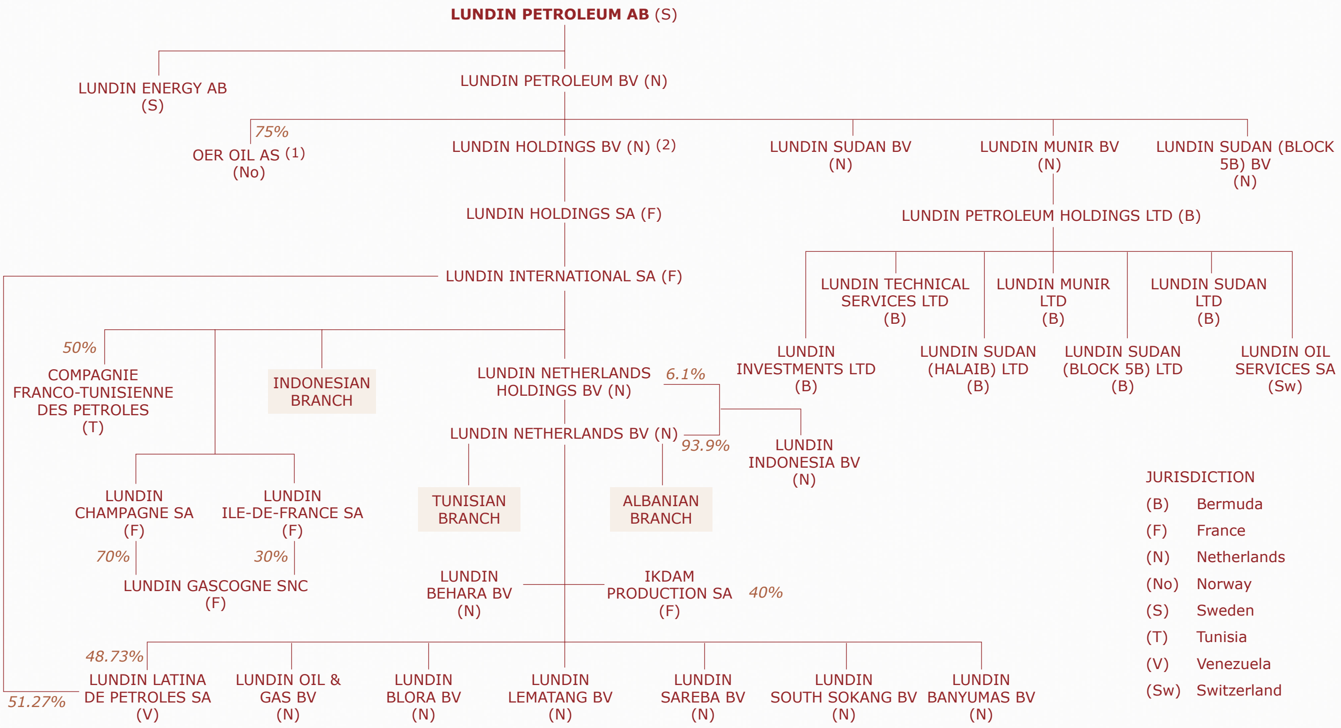
11 Cash flow from operations SEK per share is defined as cash flow from operations in accordance with the consolidated statement of cash flow divided by the weighted average number of shares for the year.

12 Earnings SEK per share is defined as the Group's net result divided by the weighted average number of shares for the year.

13 Earnings SEK per share fully diluted is defined as the Group's net result divided by the weighted average number of shares for the year after considering the dilution effect of outstanding warrants.

14 Weighted average number of shares is defined as the number of shares at the beginning of the year with new issue of shares weighted for the proportion of the period they are in issue.

Group Structure as at March 2003



(1) Acquired 16 January 2003
(2) Lundin Holdings BV was transferred from Lundin Petroleum AB to Lundin Petroleum BV by way of capital contribution on 24 February 2003

The Board of Directors and the President of Lundin Petroleum AB hereby present the annual report for the financial year 1 January 2002 – 31 December 2002.

FORMATION

Lundin Petroleum AB was formed as a result of the SEK 4 billion takeover of Lundin Oil AB by Talisman Energy Inc. during 2001. As a result of the transaction Lundin Oil AB shareholders received SEK 36.50 in cash plus one share in Lundin Petroleum AB for each share held in Lundin Oil AB.

On 6 September 2001 the shares of Lundin Petroleum AB started trading on the New Market at Stockholmsbörsen with E. Öhman J:or Fondkommision AB as sponsor. In addition to SEK 68 million in cash the Company had assets of SEK 558 million including a strong acreage position in Sudan. It also had the same Board and Management Team as Lundin Oil.

On 19 September 2002 the Company completed the acquistion of 95.3% of the outstanding shares of Lundin International SA (formerly Coparex International SA) from BNP Paribas. The trading results of Lundin International SA have been consolidated from the acquisition date.

Operations

The main business of Lundin Petroleum is the exploration for, the development of and the production of oil and natural gas.

In accordance with Lundin Petroleum's stated objective, producing assets were obtained during 2002 through the acquisition of Lundin International SA (formerly Coparex International SA). Lundin Petroleum now maintains a portfolio of oil and gas production assets in various countries with exposure to further exploration opportunities.

France

The French assets are located in two regions, the Paris Basin and the Aquitaine Basin. For the period of 2002 that Lundin Petroleum owned the assets production was on line with management's expectations. Preparation work is currently underway for the commencement of the 2003 drilling campaign of one development well and one exploration well.

Netherlands
Lundin Petroleum produces gas from 19 offshore and onshore production licences. For the period of 2002 that Lundin Petroleum owned the assets production was below managements expectations. Continued well workovers and infill drilling is continuing to ensure production levels are maintained.

Tunisia
The Isis field offshore Tunisia is operated utilising an FPSO. For the period of 2002 that Lundin Petroleum owned the assets production was above management expectations. The commencement of the gas lift operations to be initiated in the second quarter of 2003 is expected to further enhance production.

Indonesia
Lundin Petroleum holds interests in two production licences. Salawati Island and Salawati Basin have both performed in line with management expectations. Work is currently underway on the drilling of further development wells and on 2D and 3D seismic studies to further enhance the prospectivity of the area.

Venezuela
Lundin Petroleum holds a 12.5% working interest in the Colón Block in Venezuela. The continued development of the La Palma field in the Colón Block in 2002 resulted in significant increases in production from the block to the current capacity of 20,000 bopd gross. Production reduced during December 2002 as a result of the national strike but has since returned close to levels acheived before December 2002.

Sudan
Field operations in Sudan were suspended due to insecurity in the area of operation. Limited field operations recommenced in the second quarter of 2003.

Iran
Lundin Petroleum's working interest in the Munir exploration block decreased from 40% to 30% following a farm out to Petronas during 2002. A 2D seismic campaign commenced in the fourth quarter of 2002 and was completed during the first quarter of 2003. The seismic campaign has identified potential locations for the exploration drilling program which is to be started in the second half of 2003.

Future Outlook
The Company is actively pursuing opportunities to further expand its oil and gas portfolio particularly through the acquisition of producing properties. The Company's core focus however, continues to be growth of production and reserves through exploration activity.

ENVIRONMENT
Lundin Petroleum and its exploration and production affiliates conduct their international exploration and production operations, at a minimum, in accordance with all applicable environmental procedures and programmes. The Group has no operations in Sweden.

CODE OF CONDUCT
Lundin Petroleum has pledged, in its Code of Conduct, to act as a responsible corporate citizen; this means that it has committed itself to integrate ethical considerations into its commercial endeavours and to be judged on that basis.

REPORT ON BOARD ACTIVITIES
Lundin Petroleum's Board of Directors, consisted of eight members when formed at the EGM on 8 June 2001. No deputy directors were appointed. There are no members appointed by employee organisations. The President and the Deputy Managing Director are members of the Board. Six regular board meetings were held during the year in addition to the statutory board meeting.

The Board has adopted procedural rules for its internal activities that contain rules pertaining to the number of board meetings, matters to be handled at regular board meetings, duties incumbent on the Chairman, instructions specifying when and how information that is required to enable the Board to evaluate the Company´s and the Group´s financial position is to be reported to the Board, as well as the distribution of work between the Board and the Managing Director. The Board has set up three sub-committees to focus on different areas of the Company's activities. The committees are a compensation committee to review and authorise levels of executive remuneration, a finance committee to review and approve annual expenditure budgets and approve new credit facilities and an audit committee to review and approve financial statements prior to presentation to the full Board, and liaise with the Group's external auditors as part of the annual audit process.

During the year the Board reviewed the economic and financial positions of the Company and the Group on a regular basis. The Board also regularly dealt with matters concerning acquisitions and divestments, financing, issues of warrants to the shareholders and the employees, review and adoption of the budget, as well as matters related to the annual report and the interim reports. The audit committee has met with the Group's auditors as part of the annual audit function.

CHANGES IN THE BOARD OF DIRECTORS AND MANAGEMENT
At the AGM in May 2002 all serving Directors were re-elected and Alexandre Schneiter was appointed to the Board. Adolf H. Lundin resigned as Chairman of the Board and was elected Honorary Chairman and Ian H. Lundin was elected as Chairman of the Board.

C. Ashley Heppenstall was appointed President and Chief Executive Officer of the Company and Alexandre Schneiter was appointed Executive Vice President and Chief Operating Officer. Geoffrey Turbott was appointed Chief Financial Officer and Vice President Finance, Andrew Harber was appointed Vice President Corporate Services and Christine Batruch was appointed Vice President Corporate Responsibility.

Financial Statements

The Company was incorporated on 4 May 2001 and the Group was formed on 22 August 2001 following the restructuring of Lundin Oil AB to effect the takeover by Talisman Energy of Lundin Oil AB. The comparative figures shown in the financial statements and administration report only reflect these periods. The acquisition of the shares in Coparex was completed on 19 September 2002. The financial statements and administration report only include the acquired companies and their results from this date.

OPERATING RESULTS

(Numbers in parenthesis represent the comparative period)

The Group

Lundin Petroleum incurred a loss after tax for the year ended 31 December 2002 of MSEK 16.6 (MSEK 42.0) and an operating cashflow of MSEK 115.1 (MSEK 0.2).

Net sales of oil and gas for the year ended 31 December 2002 amounted to MSEK 284.9 (MSEK nil). Production for the year ended 31 December 2002 amounted to 1,505,929 barrels of oil equivalent (boe) representing 14,621 boe per day (for 103 days). The average price achieved for a barrel of oil equivalent for the year ended 31 December 2002 amounted to USD 24.76.

France

Oil sales for the year ended 31 December 2002 amounted to MSEK 105.0 (MSEK nil). Production from France amounted to 451,801 barrels of oil or 4,386 barrels per day (for 103 days) for the year ended 31 December 2002. The average price achieved for the sales amounted to USD 25.93 per barrel for the year ended 31 December 2002.

Netherlands

Gas sales for the year ended 31 December 2002 amounted to MSEK 58.7 (MSEK nil). Gas production from fields on- and offshore The Netherlands amounted to 305,545 boe or 2,966 boe per day (for 103 days) for the year ended 31 December. The average price achieved for the gas sales was Euro 0.13 per normal cubic meter (Nm^3) which equates to approximately USD 19.93 per boe for the year ended 31 December 2002. Sales of condensate for the year ended 31 December 2002 amounted to MSEK 0.9 (MSEK nil).

Tunisia

Oil sales for the year ended 31 December 2002 amounted to MSEK 36.0 (MSEK nil). Production from onshore Tunisia amounted to 29,326 boe or 285 boe per day (for 103 days) for the year ended 31 December 2002. Production from offshore Tunisia amounted to 235,946 boe or 2,306 boe per day (for 103 days) for the year ended 31 December 2002. The average price achieved for the sales amounted to USD 28.07 per barrel for the year ended 31 December 2002.

Indonesia

Oil sales for the year ended 31 December 2002 amounted to MSEK 70.8 (MSEK nil). Production from Indonesia amounted to 240,407 barrels of oil or 2,334 barrels per day (for 103 days) for the year ended 31 December 2002. The average price achieved for the sales amounted to USD 27.23 per barrel for the year ended 31 December 2002.

Venezuela

Income from Venezuela relates to an operating fee received based upon production from the Colón Block. The fee earned for the year ended 31 December 2002 amounted to MSEK 21.7 (MSEK nil). Production for the year ended 31 December 2002 amounted to 178,548 barrels of oil or 1,733 barrels per day (for 103 days). An additional part of the fee is for interest on unrecovered capital expenditure which amounted to MSEK 1.7 (MSEK nil) and is included in the financial statements within interest income.

Other operating income for the year ended 31 December 2002 amounted to MSEK 10.9 (MSEK 0.7). This amount includes service income from the operated joint venture in Sudan of MSEK 2.0 (MSEK 0.7) and the recovery of past exploration costs in Tunisia of MSEK 1.3 (MSEK nil). Other income also includes tariff income and income for maintaining strategic inventory levels in France.

Production costs for the year ended 31 December 2002 amounted to MSEK 149.0 (MSEK nil). Costs of operations amounted to MSEK 116.1 for the year ended 31 December 2002. Tariff expenses amounted to MSEK 5.1 for the year ended 31 December 2002. Royalty and production taxes are direct cash taxes levied on production. The charge for royalty and direct taxes amounted to MSEK 8.2 for the year ended 31 December 2002. Changes in inventory position relate to the movement of inventories of hydrocarbons and operational supplies. The decrease in inventory position resulted in production costs of MSEK 19.7 for the year ended 31 December 2002.

Other income for the year ended 31 December 2002 amounted to MSEK 10.2 (MSEK 4.4) and represents fees and costs recovered by Lundin Petroleum from third parties.

General and administrative expenses for the year ended 31 December 2002 amounted to MSEK 76.0 (MSEK 23.1). These expenses include the general and administrative costs of the acquired Lundin International SA (formerly Coprarex International SA) for the period of ownership. Plans to reduce these costs have been initiated in the fourth quarter of 2002 resulting in restructuring costs of MSEK 20.3 being incurred. The restructuring costs include a provision for redundancy costs associated with a restructuring plan filed with the relevant French authorities to reduce the number of employees following the decision to close the Paris office.

Net financial income and expenses for the year ended 31 December 2002 amounted to MSEK 1.8 (MSEK -22.9). Interest income of MSEK 10.2 (MSEK 2.0) was offset by the interest charge on external borrowings of MSEK 14.0 (MSEK nil). The net financial expense incurred in 2001 resulted from the write down of a short term investment. Included within net financial income and expenses is an amount of MSEK 0.2 which include the net effect of the currency exchange loss in the Parent Company of MSEK 50.3 mostly relating to the revaluation of the US dollar balances held primarily from the sale of the investment in Khanty Mansyisk Oil Corporation offset by the exchange gain of MSEK 70.9 on the US dollar denominated loan facility due to the appreciation of the Euro being the currency in which the loan is recorded.

The tax charge for the year ended 31 December 2002 amounted to MSEK 26.4 (MSEK 0.6). The tax charge comprises current corporation tax of MSEK 29.6 (MSEK 0.6) partially offset by a release of deferred tax provision of MSEK 5.3 (MSEK nil) and petroleum taxes payable of MSEK 2.1 (MSEK nil). The current corporation tax charge for the year ended 31 December 2002 included an amount of MSEK 12.5 being tax payable on unrealised foreign exchange differences.

INVESTMENTS AND FINANCIAL CONDITION

Tangible fixed assets

Tangible fixed assets as at 31 December 2002 amounted to MSEK 2,045.6 (MSEK 382.4). The book value of oil and gas properties as at 31 December 2002 amounted to MSEK 1,988.9 (MSEK 376.2). The principal increase in the value of oil and gas properties during the year results from the addition of the value assigned to the oil and gas properties acquired through the purchase of the shares in Lundin International SA (formerly Coparex International SA). The amount assigned to the oil and gas assets acquired amounts to MSEK 1,588.9 and is shown in Note 27 to the Financial Statements. The analysis of the acquisition price by country is detailed in Note 9 to the Financial Statements. The Group invested MSEK 160.8 (MSEK 77.3) in oil and gas properties during the year ended 31 December 2002. Investment in Sudan during the year ended 31 December 2002 amounted to MSEK 80.4 (MSEK 66.9) and resulted from the closing out of operations that were commenced in 2001 and the ongoing maintenance of facilities that are required for future operations. Investment in Iran during the year ended 31 December 2002 amounted to MSEK 40.7 (MSEK 9.8) and related primarily to the acquisition of seismic.

The book value of office equipment and other fixed assets as at 31 December 2002 amounted to MSEK 56.7 (MSEK 6.3). The principal increase in the value of office equipment and other fixed assets during the year results from the addition of the value assigned to the office equipment and other fixed assets acquired through the purchase of the shares in Lundin International SA (formerly Coparex International SA). The amount assigned to the office equipment and other fixed assets acquired amounts to MSEK 45.5 and relates to the value assigned to the office in Paris that is recorded under a finance lease as described in Note 21 to the Financial Statements.

Financial fixed assets

Financial fixed assets as at 31 December 2002 amounted to MSEK 103.6 (MSEK 227.4). An amount of MSEK 54.2 (MSEK 31.9) represents cash collateralisation of bank guarantees to cover future joint venture work commitments and is detailed in Note 14 to the Financial Statements. Shares in associated companies of MSEK 21.5 relates primarily to an investment in a company owning gas infrastructure in the Netherlands. Deferred financing fees as at 31 December amounted to MSEK 15.9 and represent the fees payable on the credit facility. These fees will be amortised over the life of the loan.

Current receivables and inventories

Current receivables and inventories amounted to MSEK 345.5 as at 31 December 2002. Inventories, including hydrocarbons and consumable well supplies amounted to MSEK 45.6 (MSEK nil) as at 31 December 2002. Trade receivables amounted to MSEK 118.1 (MSEK nil) as at 31 December 2002. Other current assets include an amount of MSEK 42.3 representing the prepayment of taxes.

Cash and bank

Cash and bank as at 31 December 2002 amounted to MSEK 247.8 (MSEK 301.5). Cash of MSEK 194.8 was generated during the first quarter of 2002 following the sale of the investment in Khanty Mansyisk Oil Corporation. Cash of MSEK 356.0 was utilised in the third quarter to fund the acquisition of Lundin International SA (formerly Coparex International SA). This acquistion provided cash funds of MSEK 548.8. Cash was utilised during the fourth quarter of 2002 to repay the MUSD 42 (MSEK 367.4) bridging loan used to partially fund the acquisition of Lundin International SA (formerly Coparex International SA).

CAPITAL RESOURCES

Long term liabilities as at 31 December 2002 amounted to MSEK 1,067.2 (MSEK nil). Included within this amount is an amount of MSEK 1,054.4 (MSEK nil) representing the amount outstanding under the MUSD 130.0 (MSEK 1,137) term and revolving credit facility partly utilised to fund the acquisition of Lundin International SA (formerly Coparex International SA). The credit facility is secured by a pledge over the shares of certain Lundin companies and by a charge over future cashflows generated by the producing assets. The amount available under the facility is calculated by discounting future net cashflows and is recalculated at six month intervals. In the event that the level of future discounted cashflows does not require loan repayments, a term loan repayment schedule commences from December 2004. Cashflow from the Group's producing assets is expected to meet future loan repayments and interest as they fall due, whilst dependent on future oil price, contribute surplus cashflow towards the Group's investment program.

LIQUIDITY

As at 31 December 2002 the Group's available cash position amounted to TSEK 247,776, with a further amount of cash of TSEK 54,176 held as collateral for a bank guarantee to cover exploration work commitments.

The Group is contractually committed under various concession agreements to complete various exploration work programmes. Management estimate that the total commitment under these agreements is approximately MSEK 660.6 of which third parties who are joint venture partners have contractually agreed to contribute approximately MSEK 464.8, resulting in the Group's share amounting to MSEK 195.7. Of this amount, it is estimated that MSEK 70.3 will be fulfilled during the coming year.

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 for 2003 amounts to MUSD 110.

As part of its bank financing agreement, the Group has also entered into oil price hedges for part of its oil production from France.

From 1 January 2003 to 31 December 2003, the Group has entered into oil price hedging contracts of 2,250 bopd (being approximately 13% of Group's forecast production) fixing the price at USD 24.23 Dated Brent.

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

RISKS

The Group faces a number of risks and uncertainties in its areas of operation which may adversely impact on its ability to successfully pursue its operational plans. These are discussed more fully in Note 9 of the Notes to the financial statements.

OTHER

The Group does not carry out any research and development.

The Group maintains branches in most of its areas of operation.

The Parent Company has no foreign branches.

The future development of the Group is dependent on, among others, oil and gas prices which are outside the control of the Group, and continued exploration success as well as completion of development projects.

Parent Company

The net loss for the Parent Company amounted to MSEK 80.9 (MSEK 41.4) for the year ended 31 December 2002.

Administrative expenses of MSEK 55.6 and currency exchange losses of MSEK 50.3 were partially offset by a gain on the sale of a subsidiary within the Group of MSEK 10.7 and interest income of MSEK 10.2.

Lundin Petroleum completed the sale of its shares and promissory note in the United States Delaware company Khanty Mansyisk Oil Company (KMOC) for MSEK 198.4.

DIVIDEND

The Directors propose that no dividend be paid for the year.

TREATMENT OF ACCUMULATED DEFICIT

The Group's unrestricted equity amounts to TSEK -1,899. No appropriation to restricted reserves is required.

The Board of Directors and the President propose that the accumulated deficit of the Parent Company being the loss for the year of TSEK 80,904 be offset against the share premium reserve.

The result of the Group and the Parent Company's operations and their financial position at the end of the financial year are shown in the following income statements, balance sheets, statements of cashflow and related notes.

Stockholm, 22 April 2003

IAN H. LUNDIN
CHAIRMAN OF THE BOARD

C. ASHLEY HEPPENSTALL
PRESIDENT & CEO

ALEXANDRE SCHNEITER
EXECUTIVE VICE PRESIDENT AND COO

MAGNUS UNGER
DEPUTY MANAGING DIRECTOR

ADOLF H. LUNDIN
HONORARY CHAIRMAN

CARL BILDT

KAI HIETARINTA

LUKAS H. LUNDIN

WILLIAM A. RAND

INCOME STATEMENT

CONSOLIDATED AND PARENT COMPANY INCOME STATEMENT FOR THE FINANCIAL YEAR/PERIOD ENDED 31 DECEMBER

TSEK	Note	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Operating income					
Net sales of oil and gas		284,905	–	–	–
Other operating income		10,939	749	3,710	1,304
	1	**295,844**	749	**3,710**	1,304
Cost of sales					
Production costs	2	-149,038	–	–	–
Depletion of oil and gas properties	9	-53,591	–	–	–
Write-off of oil and gas properties	3	–	-502	–	–
		-202,629	-502	–	–
Gross profit	1	**93,215**	247	**3,710**	1,304
Other income		10,247	4,373	405	63
General, administration and depreciation	4,10	-75,970	-23,145	-55,627	-19,036
Restructuring costs	23	-20,275	–	–	–
		-85,998	-18,772	**-55,222**	-18,973
Operating profit/(loss)		**7,217**	-18,525	**-51,512**	-17,669
Result from financial investments					
Interest and other financial income	5	19,974	1,972	20,970	1,222
Interest and other financial expenses	6	-18,158	-24,879	-50,362	-24,993
		1,816	-22,907	**-29,392**	-23,771
Profit/(loss) before tax and minority interest		**9,033**	-41,432	**-80,904**	-41,440
Corporation tax	7	-24,259	-551	–	–
Petroleum tax	7	-2,103	–	–	–
		-26,362	-551	–	–
Minority interest	8	765	–	–	–
NET RESULT		**-16,564**	-41,983	**-80,904**	-41,440
Earnings SEK per share		-0.1	-0.4	-0.3	-0.4
Earnings SEK per share fully diluted		-0.1	-0.4	-0.3	-0.4

CONSOLIDATED AND PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

TSEK	Note	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
ASSETS					
Tangible fixed assets					
Oil and gas properties	9	1,988,933	376,181	–	–
Office equipment and other assets	10, 20	56,656	6,254	49	55
		2,045,589	382,435	**49**	55
Financial fixed assets					
Shares in subsidiaries	11	–	–	171,008	485,674
Shares and participations	12	21,535	181,619	–	181,619
Long term receivables	13	–	13,867	796,301	13,867
Restricted cash	14	54,176	31,939	–	–
Deferred financing fees		15,926	–	–	–
Other financial fixed assets		11,949	–	–	–
		103,586	227,425	**967,309**	681,160
Current assets					
Inventories	15	45,562	–	–	–
Prepayments and accrued expenses		9,777	1,296	773	648
Current receivables	16	290,141	8,179	1,089	1,891
Cash and bank		247,776	301,519	2,081	193,683
		593,256	310,994	**3,943**	196,222
TOTAL ASSETS		**2,742,431**	920,854	**971,301**	877,437
SHAREHOLDERS' EQUITY & LIABILITIES					
Shareholders' equity	17				
Restricted equity					
Share capital		2,487	2,124	2,487	2,124
Restricted reserves/Share premium reserve		930,524	922,331	1,028,792	910,355
Unrestricted equity					
Retained earnings		14,665	–	–	–
Net result		-16,564	-41,988	-80,904	-41,440
		931,112	882,467	**950,375**	871,039
Minority interest	8	**2,525**	–	–	–
Provisions					
Site restoration	18	58,411	–	–	–
Other provisions	19	6,051	–	–	–
Deferred tax	7	261,668	–	–	–
		326,130	–	–	–
Long-term liabilities					
Bank loans	20	1,054,350	–	–	–
Finance lease	21	12,680	–	–	–
Other		147	–	–	–
		1,067,177	–	–	–
Current liabilities					
Finance lease	21	9,186	–	–	–
Trade payables		85,851	34,430	2,166	1,183
Due to Group companies		–	–	17,077	3,463
Tax payable	7	92,530	–	–	–
Other current liabilities	22	163,777	1,954	127	298
Accrued expenses	23	64,143	2,003	1,556	1,454
		415,487	38,387	**20,926**	6,398
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		**2,742,431**	920,854	**971,301**	877,437
Pledged assets	24	**247,779**	–	247,779	–
Contingent liabilities	25	**12,618**	–	12,618	–

STATEMENT OF CASH FLOW

CONSOLIDATED AND PARENT COMPANY STATEMENT OF CASHFLOW FOR THE FINANCIAL YEAR/PERIOD ENDED 31 DECEMBER

TSEK	Note	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Cash flow from operations					
Net result		**-16,564**	-41,983	**-80,904**	-41,440
Adjustments for					
Other provisions		3,445	–	–	–
Write-off of oil and gas properties	3	–	502	–	–
Depletion, depreciation and amortisation	9, 10	57,462	2,258	24	–
Amortisation of deferred financing fees	6	582	–	–	–
Other non-cash items	26	-3,562	23,140	–	23,140
Unrealised exchange gains		48,427	-415	48,427	-415
Minority interest	8	-765	–	–	–
Changes in working capital					
Decrease/(increase) in current receivables		133,717	-1,369	677	-2,539
Increase/(decrease) in current liabilities		30,378	21,635	14,525	6,398
Total cash flow from operations		**253,120**	3,768	**-17,251**	-14,856
Cash flow used for investments					
Investment in shares and participations	11, 27	-1,213,010	–	-170,908	-95,297
Sale of other shares		181,205	–	181,205	–
Sale of loan note		13,640	–	13,640	–
Change in other financial fixed assets		-36,016	5	-310,726	–
Investment in oil and gas properties	9	-160,836	-77,263	–	–
Investment in office equipment and other assets	10	-10,128	-1,072	-18	-55
Total cash flow used for investments		**-1,225,145**	-78,330	**-286,807**	-95,352
Cash flow from financing					
Increase/(decrease) in other long-term liabilities		857,092	–	–	–
Paid deferred financing fees		-17,774	–	–	–
Repayment of long term loan	20	-20,287	–	–	–
Proceeds from share issue	17	160,240	303,891	160,240	303,891
Other financing activities	17	-4,102	–	–	–
Total cash flow from financing		**975,169**	303,891	**160,240**	303,891
Change in cash and bank		**3,144**	229,329	**-143,818**	193,683
Cash and bank at the beginning of the year		301,519	–	193,683	–
Cash constributed in connection with formation of the Group		–	69,792	–	–
Currency exchange difference in cash and bank		-56,887	2,398	-47,784	–
Cash and bank at the end of the year		**247,776**	301,519	**2,081**	193,683

Cash and bank comprise cash and short-term deposits maturing within less than three months.

ACCOUNTING PRINCIPLES

The Annual Report of Lundin Petroleum AB (publ) has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations and statements.

Principles of consolidation

The consolidated financial statements include the accounts of the parent company and each of those companies in which it owns, directly or indirectly, shares representing more than 50 percent of the voting rights or has the sole right to exercise control over the operations.

The consolidated financial statements of the Lundin Petroleum Group have been prepared using the purchase method of accounting. Under the purchase method of accounting, in addition to the parent company equity, only changes in subsidiary equity arising after acquisitions are included in group equity.

Under the purchase method of accounting the difference between the acquisition price and the monetary assets is allocated to the non-monetary assets acquired based upon the estimated market values of those assets.

The minority interest in a subsidiary represents the portion of the subsidiary not owned by the Company. The equity of the subsidiary relating to the minority shareholders is shown on a separate line in the Balance Sheet for the Group. The movement in the equity of the minority shareholders for the year is recorded in the income statement for the Group.

All intercompany profits, transactions and balances are eliminated on consolidation.

Accounting for investments in associated companies

An investment in an associated company is an investment in an undertaking where the Group holding represents at least 20% but not more than 50% of the votes, and over which the Group exercises significant influence. Such investments are accounted for in the consolidated financial statements in accordance with the equity method. The difference between the acquisition cost of shares in an associated company and the amount these represent of the fair market value of the net assets in the undertaking at the time of acquisition is treated as goodwill and amortised over 5 years.

Foreign currencies

The balance sheets and income statements of foreign subsidiary companies are translated using the current rate method. All assets and liabilities of the subsidiary companies are translated at the balance sheet date rates of exchange, whereas the income statements are translated at weighted average rates of exchange for the year. The translation differences which arise are taken directly to shareholders' equity.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Exchange differences are included in the income statement.

Corporation Taxes
a) Current tax
Corporation tax payable is provided on taxable profits at the current tax rate.

b) Deferred tax
Deferred tax (which arises from differences in the timing of the recognition of items, principally depletion and site restoration charges, in the accounts and by the tax legislation) is calculated using the liability method. To the extent that a net liability on a field by field basis exists deferred tax is provided on temporary differences, between the carrying amounts of assets and liabilities and their tax bases, net of losses available for future relief, at the current tax rate.

Valuation principles
Assets and liabilities are included at their acquisition cost and nominal amounts respectively unless stated otherwise.

Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds.

Receivables are valued at the amounts they are expected to realise.

Short-term investments are valued at the lower of cost and market value for the portfolio taken as a whole.

Inventories of consumable well supplies are stated at the lower of cost and net realisable value, cost being determined on a first in first out basis. Inventories of hydrocarbons are stated at the lower of cost and net realisable value. Under or overlifted positions of hydrocarbons are valued at market prices prevailing at the balance sheet date.

Long-term investments are valued at cost or at written-down amounts to reflect any diminution in value which is other than temporary.

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is based on cost and is calculated on a straight line basis over the estimated economic life.

Fees associated with long-term financing are deferred and amortised over the life of the financing.

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

	Average	Period end
1 Euro equals SEK	9.1	9.2
1 USD equals SEK	9.7	8.7

Oil and gas operations
a) Accounting for costs of exploration, appraisal and development
Oil and gas operations are accounted for using the full cost method. All costs for acquiring concessions, licences or interests in production sharing contracts and for the survey, drilling and development of such interests have been capitalised on a country-by-country cost centre basis.

Net capitalised costs, together with anticipated future capital costs determined at the balance sheet date price levels, are depleted based on the year's production in relation to estimated total proven and probable reserves of oil and gas in accordance with the unit of production method.

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known resevoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probablistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimates.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probablistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Proceeds from the sale or farm-out of oil and gas concessions are offset against the related capitalised costs of each cost centre in the exploration stage with any excess of net proceeds over all costs capitalised included in the income statement. A gain or loss is recognised on the sale or farm-out of producing areas when the depletion rate is changed by more than 20 per cent.

Total costs capitalised in a country cost centre are written-off when future recovery of such costs is determined to be unlikely.

b) Revenues
Revenues from the sale of oil and gas are recognised in the income statement net of royalties taken in kind. Sales are recognised upon delivery of products and customer acceptance or on performance of services.

Incidental revenues from the production of oil and gas are offset against capitalised costs of the related cost centre until quantities of proven and probable reserves are determined and commercial production has commenced.

c) Service income

Service income, generated by providing technical and management services to joint ventures, is recognised as revenue in accordance with the terms of each concession agreement.

d) Joint ventures

Oil and gas operations are conducted by the Group as co-licencees in joint ventures with other companies. The accounts reflect the relevant proportions of production, capital costs, operating costs and current assets and liabilities applicable to the Group's interests.

e) Impairment tests

Impairment tests are carried out at least annually to determine that the net book amount of capitalised costs within each country cost centre less any provision for site restoration costs, royalties and deferred production or revenue related taxes is covered by the anticipated future net revenue from oil and gas reserves attributable to the Group's interest in related fields.

Provision is made for any permanent impairment, where the net book amount, according to the above, exceeds the estimated future discounted net cash flows using prices and cost levels used by Group management in their internal forecasting.

f) Site restoration costs

On fields where the Group is required to contribute to site restoration costs, a provison is created to recognise the future liability. At the date of acquisition of the field or at first production, an asset is created to represent the discounted value of the anticipated site restoration liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognises the discounted value of the future liability. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to financial expenses.

g) Effects of changes in estimates

The effects of changes in estimated costs and commercial reserves or other factors affecting unit of production calculations for depletion and site restoration costs do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining commercial reserves of each field. While the Group uses its best estimates and judgement, actual results could differ from these estimates.

h) Over- and underlifts

The quantities of oil and other hydrocarbons lifted by the Group may differ from its equity share of production giving rise to over- or underlifts which are accounted for as follows:

- an underlift of production from a field is included in current receivables and valued at the reporting date spot price or prevailing contract price.

- an overlift of production from a field is included in current liabilities and valued at the reporting date spot price or prevailing contract price.

i) Royalties

The fiscal regime in the area of operations defines whether royalties are payable in cash or in kind. Royalties payable in cash are accrued in the accounting period in which the liability arises. Royalties taken in kind are subtracted from production for the period to which they relate.

j) Interest

Interest on borrowings to finance the acquisition of producing oil and gas properties is charged to income as incurred. Interest on borrowings to finance fields under development is capitalised within oil and gas properties until production commences.

Employee incentive warrants

No compensation cost is recognised for any of the current employee incentive warrants issued as the exercise price is equal to the market price at the time of issue.

NOTE 1 – SEGMENTAL INFORMATION (TSEK)

	Group Year ended 31 December 2002	Group Period ended 31 December 2001	Parent Company Year ended 31 December 2002	Parent Company Periode nded 31 December 2001
Operating income				
Net sales of:				
Crude oil				
- France	104,970	–	–	–
- Tunisia	35,962	–	–	–
- Indonesia	70,770	–	–	–
Condensate				
- Netherlands	873	–	–	–
Gas				
- Netherlands	58,679	–	–	–
- Indonesia	335	–	–	–
Operating fee				
- Venezuela	21,667	–	–	–
Change in underlift position	-8,351	–	–	–
	284,905	–	–	–
Other income				
- France	7,202	–	–	–
- Tunisia	1,716	–	–	–
- Sudan	2,021	749	–	–
- Other	–	–	3,710	1,304
	10,939	749	3,710	1,304
Total operating income	**295,844**	**749**	**3,710**	**1,304**
Gross profit				
- France	47,570	–	–	–
- Netherlands	32,872	–	–	–
- Tunisia	-7,287	–	–	–
- Venezuela	2,190	–	–	–
- Sudan	–	749	–	–
- Indonesia	16,150	–	–	–
- Other	1,720	-502	3,710	1,304
	93,215	**247**	3,710	1,304

Group Per unit average sales price and depletion cost

	Year ended 31 December 2002 SEK	Year ended 31 December 2002 USD	Year ended 31 December 2001 SEK	Year ended 31 December 2001 USD
Average crude sales price, per barrel or boe				
- France	235.86	25.93	–	–
- Netherlands	181.29	19.93	–	–
- Tunisia onshore	255.33	28.07	–	–
- Tunisia offshore	235.68	25.91	–	–
- Indonesia	247.69	27.23	–	–
Combined	225.22	24.76	–	–
Average depletion cost, per barrel or boe				
- France	44.51	4.89	–	–
- Netherlands	61.83	6.80	–	–
- Tunisia	24.41	2.68	–	–
- Indonesia	11.12	1.22	–	–
- Venezuela	24.26	2.67	–	–
Combined	37.86	4.16	–	–

NOTE 2 – PRODUCTION COSTS (TSEK)

Production costs comprise:	Group Year ended 31 December 2002	Group Period ended 31 December 2001	Parent Company Year ended 31 December 2002	Parent Company Period ended 31 December 2001
Cost of operations	116,079	–	–	–
Tariff expenses	5,084	–	–	–
Direct production taxes	8,162	–	–	–
Change in lifting position	15,379	–	–	–
Inventory movement – hydrocarbons	722	–	–	–
Inventory movement – well supplies	3,612	–	–	–
	149,038	–	–	–

NOTE 3 – WRITE-OFF OF OIL AND GAS PROPERTIES (TSEK)

Oil & gas properties written off were as follows:	Group Year ended 31 December 2002	Group Period ended 31 December 2001	Parent Company Year ended 31 December 2002	Parent Company Period ended 31 December 2001
Other	–	502	–	–
	–	502	–	–

NOTE 4 – GENERAL, ADMINISTRATION AND DEPRECIATION (TSEK)

Remuneration to the Group's auditors for	Group Year ended 31 December 2002	Group Period ended 31 December 2001	Parent Company Year ended 31 December 2002	Parent Company Period ended 31 December 2001
Audit fees				
- PricewaterhouseCoopers	821	296	366	296
- Deloitte & Touche	1,410	–	–	–
	2,231	296	366	296
Other				
- PricewaterhouseCoopers	279	489	250	489
	279	489	250	489
Total	**2,510**	785	616	785

NOTE 5 – INTEREST AND OTHER FINANCIAL INCOME (TSEK)

Interest & other financial income comprise:	Group Year ended 31 December 2002	Group Period ended 31 December 2001	Parent Company Year ended 31 December 2002	Parent Company Period ended 31 December 2001
Interest income	10,711	1,972	10,285	1,222
Dividends received	9,079	–	–	–
Gain on sale of subsidiary	–	–	10,685	–
Other financial income	184	–	–	–
	19,974	1,972	**20,970**	1,222

Included in interest income for the Parent Company is an amount of TSEK 6,185 (2001 – TSEK 0) received from Group companies.

The gain on sale of subsidiary of TSEK 10,685 (2001 – TSEK 0) arose from the sale of a directly owned subsidiary company to an indirectly owned subsidiary company as part of a Group restructuring following the acquistion of Lundin International SA (formerly Coparex International SA).

NOTE 6 – INTEREST AND OTHER FINANCIAL EXPENSES (TSEK)

Interest & other financial expenses comprise:	Group Year ended 31 December 2002	Group Period ended 31 December 2001	Parent Company Year ended 31 December 2002	Parent Company Period ended 31 December 2001
Loan interest expenses	14,013	–	16	–
Write-down of investment in KMOC (Note 12)	–	23,823	–	23,823
Unwind site restoration discount	1,746	–	–	–
Foreign exchange loss, net	210	679	50,346	793
Amortisation of deferred financing fees	582	–	–	–
Other	1,607	377	–	377
	18,158	24,879	**50,362**	24,993

NOTE 7 – TAXES (TSEK)

The tax charge comprises:		Group Year ended 31 December 2002	Group Period ended 31 December 2001	Parent Company Year ended 31 December 2002	Parent Company Period ended 31 December 2001
Corporation tax					
-current	- France	15,833	–	–	–
	- Netherlands	2,073	–	–	–
	- Indonesia	7,031	–	–	–
	- Venezuela	3,647	–	–	–
	- Switzerland	984	551	–	–
		29,568	551	–	–
-deferred	- France	-1,652	–	–	–
	- Netherlands	-4,703	–	–	–
	- Indonesia	946	–	–	–
	- Venezuela	100	–	–	–
		-5,309	–	–	–
		24,259	551	–	–
Petroleum tax					
-current	- Netherlands	2,103	–	–	–
-deferred	- Netherlands	–	–	–	–
		2,103	–	–	–
Total charge to income		**26,362**	551	–	–

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of Sweden as follows:

Profit before tax	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Net result	9,033	-41,432	-80,904	-41,440
Tax calculated at the corporate tax rate in Sweden (28%)	-2,529	11,601	22,653	11,603
Effect of foreign tax rates	-10,017	-165	–	–
Tax effect of expenses non-deductible for tax purposes	-1,547	-6,446	-879	-6,776
Tax effect of capitalised costs	13,164	4,497	–	4,497
Tax effect of deduction for petroleum tax	736	–	–	–
Tax effect of income not subject to tax		–	2,992	–
Tax effect of utilisation of unrecorded tax losses	700	–	–	
Tax effect of creation of unrecorded tax losses	-24,766	-10,038	-24,766	-9,324
	-24,259	**-551**	–	–

France	31 December 2002	31 December 2001
The current tax liability comprises:		
Corporation tax	25,544	–
Petroleum tax	–	–
Total, current	**25,544**	–
The deferred tax liability comprises:		
Corporation tax on		
-Excess of book value over tax value of oil and gas properties	84,680	–
Total, deferred	**84,680**	–

The wholly owned French companies are consolidated for tax purposes within France from 1 January 2003. The taxation liability of a French company can be reduced wholly or in part by the surrender of losses from another French company. Losses incurred by a company prior to tax consolidation can only be carried forward and utilised against that company's income.

The Netherlands	31 December 2002	31 December 2001
The current tax liability comprises:		
Corporation tax	9,655	–
Petroleum tax	44,751	–
Total, current	**54,406**	–
The deferred tax liability comprises:		
Corporation tax on		
-Excess of book value over tax value of oil and gas properties	132,951	–
	132,951	–
Petroleum tax on		
-Excess of book value over tax value of tangible fixed assets	45,292	–
Total, deferred	**178,243**	–

Venezuela	31 December 2002	31 December 2001
The current tax liability comprises:		
Corporation tax	8,353	–
Petroleum revenue tax	–	–
Total, current	**8,353**	–
The deferred tax liability comprises:		
Corporation tax on		
-Excess of tax value over book value of oil and gas properties	-1,493	–
Total, deferred	**-1,493**	–

Indonesia	31 December 2002	31 December 2001
The current tax liability comprises:		
Corporation tax	4,227	–
Petroleum revenue tax	–	–
Total, current	**4,227**	–
The deferred tax liability comprises:		
Corporation tax on		
-Excess of book value over tax value of oil and gas properties	238	–
Total, deferred	**238**	–

Sweden

The Group has Swedish tax loss carry forwards, including tax losses in the current financial year, of MSEK 127.1 which in part are not yet assessed. The tax losses can be utilised indefinitely. A deferred tax asset relating to the tax loss carry forwards has not been recognised, as the Parent Company has no foreseeable taxable income.

NOTE 8 – MINORITY INTEREST (TSEK)

The minority interest relates to the 0.17 % of Lundin International SA (formerly Coparex International SA) not held by Lundin Petroleum at 31 December 2002.

Minority interest	Group Year ended 31 December 2002	Group Period ended 31 December 2001	Parent Company Year ended 31 December 2002	Parent Company Period ended 31 December 2001
Opening balance	–	–	–	–
Acquisition (Note 27)	3,276	–	–	–
Share of net result	-765	–	–	–
Currency translation difference	14	–	–	–
Closing balance	**2,525**	–	–	–

NOTE 9 – OIL AND GAS PROPERTIES (TSEK)

Under full cost accounting for oil and gas properties, costs are pooled in country-by-country cost centres and depletion is calculated once production commences. A depletable cost pool can contain licences in an exploration or development stage.

	Group Year ended 31 December 2002	Group Period ended 31 December 2001	Parent Company Year ended 31 December 2002	Parent Company Period ended 31 December 2001
Production cost pools	1,570,409	–	–	–
Non-production cost pools	418,524	376,181	–	–
	1,988,933	376,181	–	–

2002	Group					
Production cost pools	**France**	**Netherlands**	**Tunisia**	**Indonesia**	**Venezuela**	**Total**
Cost						
1 January	–	–	–	–	–	–
Acquired on acquisition	871,829	513,139	73,655	14,112	116,152	1,588,887
Additions – Production/development	5,740	25,378	3,974	5,824	–	40,916
Reclassification	–	–	–	–	-2,395	-2,395
Currency translation difference	6,969	4,603	-9,874	2,892	-7,573	-2,983
31 December	884,538	543,120	67,755	22,828	106,184	1,624,425
Depletion						
1 January	–	–	–	–	–	–
Depletion charge for the year	-20,112	-19,983	-6,474	-2,692	-4,330	-53,591
Currency translation difference	-160	-159	-51	-21	-34	-425
31 December	-20,272	-20,142	-6,525	-2,713	-4,364	-54,016
Net book amount as at 31 December	**864,266**	**522,978**	**61,230**	**20,115**	**101,820**	**1,570,409**

Non-production cost pools	1 January	Acquired on acqusition	Additions	Write-offs	Currency translation difference	31 December
Group						
Albania	–	–	1,119	–	-317	802
Iran	9,892	–	40,659	–	-5,786	44,765
Sudan	366,289	–	80,352	–	-73,851	372,790
Other	–	–	185	–	-18	167
	376,181	–	122,315	–	-79,972	**418,524**

Non-production cost pools	1 January	Acquired on consolidation	Additions	Write-offs	Currency translation difference	31 December
Group						
Iran	–	–	9,825	–	67	9,892
Sudan	–	289,935	66,942	–	9,412	366,289
Other	–	6	496	-502	–	–
	–	289,941	77,263	-502	9,479	376,181

Acquired on acquistion includes the values assigned to the oil and gas properties acquired through the purchase of the shares in Lundin International SA (formerly Coparex International SA) during 2002. Acquired on consolidation includes the values assigned to the oil and gas properties upon the formation of the Lundin Petroleum AB Group in 2001.

Capitalised interest

There are no capitalised interest costs included within the costs of oil and gas properties.

Exploration expenditure commitments

The Group participates in joint ventures with third parties in oil and gas exploration activities. The Group is contractually committed under various concession agreements to complete certain exploration programmes. The Directors estimate the present commitments to be no more than MSEK 660.6, of which third parties who are joint venture partners have contractually agreed to contribute approximately MSEK 464.8.

Risks and uncertainties

The Group faces a number of risks and uncertainties in the areas of operation which may adversely impact on its ability to pursue its objectives.

- Border disputes. The exact location and jurisdictions within which the Group's concessions exist could become the subject of dispute.
- Military and political disturbances. Certain of the countries in which the Group is operating have experienced military or political difficulties in the recent past.
- Political uncertainties. Certain aspects of the Group's operations require the consent or favourable decisions of governmental bodies.
- Environmental uncertainties. In certain areas of operations.approval must be obtained from governmental bodies before work can commence in environmentally sensitive locations.

Litigation

In November 2002, Lundin Petroleum commenced arbitration proceedings against one of its partners in the Colón Unit in Venezuela. After being notified of the proposed sale of the interests of CMS Oil and Gas (Venezuela) LDC, Lundin Petroleum exercised its rights under the Colón Unit joint operating agreement to acquire those interests. Lundin Petroleum's rights were disregarded and the interests were sold to a third party. Lundin Petroleum is seeking a decision from the arbitrators that Lundin Petroleum be entitled to acquire these interests. The arbitrators' decision is expected to be made during 2004. In the event of a favourable ruling Lundin Petroleum would purchase an additional 43.75% interest in the Colon Unit for a cash consideration of MUSD 45.0.

NOTE 10 – OFFICE EQUIPMENT AND OTHER ASSETS (TSEK)

Office equipment & other assets comprise the following:	2002 Real estate	2002 Office equipment and other assets	2002 Total	2001 Real estate	2001 Office equipment and other assets	2001 Total
Group						
Cost						
1 January	–	11,293	11,293	–	–	–
Acquired on consolidation	–	–	–	–	11,515	11,515
Aqcuired on acquisition	45,500	–	45,500	–	–	–
Additions	–	10,128	10,128	–	1,072	1,072
Disposals	–	–	–	–	–	–
Write-off	–	-60	-60	–	-1,645	-1,645
Currency translation difference	343	-2,891	-2,548	–	351	351
31 December	45,843	18,470	64,313	–	11,293	11,293
Depreciation						
1 January	–	-5,039	-5,039	–	–	–
Acquired on consolidation	–	–	–	–	-4,289	-4,289
Depreciation charge for the year	-755	-3,117	-3,872	–	-1,606	-1,606
Disposals	–	–	–	–	–	–
Write-off	–	50	50	–	993	993
Currency translation difference	-6	1,210	1,204	–	-137	-137
31 December	-761	-6,896	-7,657	–	-5,039	-5,039
Net book amount as at 31 December	45,082	11,574	56,656	–	6,254	6,254
Parent company						
Cost						
1 January	–	55	55	–	–	–
Additions	–	18	18	–	55	55
Disposals	–	–	–	–	–	–
Write-off	–	–	–	–	–	–
31 December	–	73	73	–	55	55
Depreciation						
1 January	–	–	–	–	–	–
Depreciation charge for the year	–	-24	-24	–	–	–
Disposals	–	–	–	–	–	–
Write-off	–	–	–	–	–	–
31 December	–	-24	-24	–	–	–
Net book amount as at 31 December	–	49	49	–	55	55

Depreciation charge for the year reflects depreciation according to plan which is based on cost and an estimated economic life of 10 years for real estate and 3 to 5 years for office equipment and other assets. Depreciation is included within the general, administration and depreciation line in the income statement.

Acquired on acquistion includes the values assigned to the office equipment and other fixed assets acquired through the purchase of the shares in Lundin International SA (formerly Coparex International SA) during 2002. Acquired on consolidation includes the values assigned to the office equipment and other fixed assets upon the formation of the Lundin Petroleum AB Group in 2001.

NOTE 11 – SHARES IN SUBSIDIARIES (TSEK)

	Registration number	Registered office	Number of shares	Percentage	Nominal value per share	Parent Company Book amount 31 December 2002	Parent Company Book amount 31 December 2001
Group							
Directly owned							
Lundin Energy AB	556619-2299	Stockholm, Sweden	10,000,000	100	SEK 0.01	100	100
Lundin Petroleum Holdings Limited	EC-29120	Hamilton, Bermuda	12,000	100	USD 1.00	–	485,574
Lundin Petroleum B.V.	BV 1216140	The Hague, Netherlands	180	100	EUR 100	168	–
Lundin Holdings B.V.	BV 1207750	The Hague, Netherlands	181	100	EUR 100	170,740	–
						171,008	485,674
Indirectly owned							
Lundin Sudan BV	BV 1225619	The Hague, Netherlands	18,000	100	Euro 1.00	–	–
Lundin Sudan (Block 5B) BV	BV 1225618	The Hague, Netherlands	18,000	100	Euro 1.00	–	–
Lundin Munir BV	BV 1225617	The Hague, Netherlands	18,000	100	Euro 1.00	–	–
- Lundin Petroleum Holdings Limited	EC-29120	Hamilton, Bermuda	12,000	100	USD 1.00	–	–
- Lundin Sudan Limited	EC-15676	Hamilton, Bermuda	12,000	100	USD 1.00	–	–
- Lundin Sudan (Block 5B) Limited	EC-30543	Hamilton, Bermuda	12,000	100	USD 1.00	–	–
- Lundin Munir Limited	EC-29955	Hamilton, Bermuda	12,000	100	USD 1.00	–	–
- Lundin Investments Limited	EC-14476	Hamilton, Bermuda	12,000	100	USD 1.00	–	–
- Lundin Sudan (Halaib) Limited	EC-16775	Hamilton, Bermuda	12,000	100	USD 1.00	–	–
- Lundin Technical Services Limited	EC-29614	Hamilton, Bermuda	12,000	100	USD 1.00	–	–
- Lundin Oil Services SA	1731/1999	Geneva, Switzerland	1,000	100	CHF100.00	–	–
Lundin Holdings SA	Nanterre B442423448	Issy, France	1,853,700	100	EUR 10.00	–	–
- Lundin International SA	Nanterre B572199164	Issy, France	1,660,662	99.83	EUR 15.00	–	–
- Lundin Champagne SA	Nanterre B722043007	Issy, France	250,000	100	EUR 15.24	–	–
- Lundin Ile De France SA	Nanterre B319712873	Issy, France	80,941	100	EUR 15.24	–	–
- Lundin Latina de Petroleos SA	N° 6 Volume 8-A-Qto	Caracas, Venezuela	8,047,951	100	Bs 1,000	–	–
- Lundin Gascogne SNC	Nanterre B419619077	Issy, France	100	100	EUR 152.45	–	–
- Lundin Netherlands Holdings B.V.	BV 87.466	The Hague, Netherlands	150	100	EUR 450.00	–	–
- Lundin Netherlands B.V.	BV 86.811	The Hague, Netherlands	30,000	100	EUR 450.00	–	–
- Lundin Indonesia B.V.	BV 471.132	The Hague, Netherlands	1,065	100	EUR 450.00	–	–
- Lundin Lematang B.V.	BV 547.158	The Hague, Netherlands	40	100	EUR 453.78	–	–
- Lundin Oil & Gas B.V.	BV 547.156	The Hague, Netherlands	40	100	EUR 453.78	–	–
- Lundin Blora B.V	BV 561.660	The Hague, Netherlands	40	100	EUR 453.78	–	–
- Lundin Sareba B.V.	BV 608.284	The Hague, Netherlands	40	100	EUR 453.78	–	–
- Lundin South Sokang B.V.	BV 614.572	The Hague, Netherlands	40	100	EUR 453.78	–	–
- Lundin Behara B.V.	BV 1102917	The Hague, Netherlands	182	100	EUR 100.00	–	–
- Lundin Banyumas B.V.	BV 1140222	The Hague, Netherlands	182	100	EUR 100.00	–	–
						–	–
						171,008	485,674

Shares in subsidiaries	Parent Company 2002	Parent Company 2001
Opening balance	485,674	–
- acquired upon consolidation	–	57
- capital contribution	–	485,517
- acquisitions	170,908	100
- return of capital contribution	-485,517	–
- sale of subsidiaries	-57	–
Closing balance	**171,008**	**485,674**

NOTE 12 – SHARES AND PARTICIPATIONS (TSEK)

Shares and participations comprise:	Number of shares	Share %	Book amount 31 December 2002	Book amount 31 December 2001
Group				
Associated companies				
- Compagnie Franco-Tunisienne Des Petroles	10,000	50.00	–	–
- Ikdam Production SA	1,600	40.00	–	–
Other shares and participations				
- Khanty Mansiysk Oil Corporation (US)	37,836	10.00	–	181,619
- Noordelijke Aardgas Transportmij B.V.	11,098,015	1.81	18,685	–
- Cofraland B.V	31	7.75	2,772	–
- Aargas Verkoopmij Leeuwarden	–	7.23	15	–
- L4 Witte Water B.V.	1,519	4.34	6	–
- Witte Water B.V.	3,840	3.84	16	–
- F15A Group B.V	254	2.54	5	–
- F15D Groep B.V.	254	2.54	4	–
- K4a/K5b (Groep) B.V.	101,500	2.03	4	–
- Maison de la géologie	2	1.25	28	–
			21,535	181,619
Parent company				
Khanty Mansiysk Oil Corporation (US)	37,836	10.00	–	181,619
			–	181,619

2001
Lundin Petroleum held 37,836 shares representing approximately 10 percent of the undiluted shares in the Delaware, United States, company Khanty Mansiysk Oil Corporation (KMOC).
The shares and the promissory note (see Note 13) were transferred from Lundin Oil AB to Lundin Petroleum according to the reorganisation agreement relating to Talisman Energy's acquisition of Lundin Oil AB at a value of USD 21.1 million, compared to Lundin Oil's original prurchase price of approximately USD 8.4 million

2002
Lundin Petroleum sold its shares and promissory note (see Note 13) to Enterprise Oil plc for approximately USD 18.3 million on 26 February 2002. The shares in KMOC had been written down to reflect the sale value during the financial period 2001.

NOTE 13 – LONG TERM RECEIVABLES (TSEK)

Long term receivables comprise:	Group 31 December 2002	Group 31 December 2001	Parent Company 31 December 2002	Parent Company 31 December 2001
Promissory note	–	13,867	–	13,867
Long term receivable due from subsidiaries	–	–	796,301	–
	–	13,867	796,301	13,867

2002
Long term receivables due from subsidiaries represents funding of operations within the subsidiaries for which repayment is not foreseen within an agreed repayment schedule.

2001
Promissory note comprised a receivable from KMOC of USD 1,3 million earning interest at 10% per annum. In accordance with the terms of the promissory note the interest has been paid partly in cash and partly through the issuance of new shares in KMOC. The loan note was payable upon an initial public offering of KMOC's common stock or upon request from a majority of the holders of promissory notes at any time after 14 October 2002 or prior to a registered public offering of Common Stock. Lundin Petroleum sold the promissory note to Enterprise Oil plc (see Note 12).

NOTE 14 – RESTRICTED CASH

Restricted cash represents amounts placed as collateral for bank guarantees issued in relation to future work commitments on exploration concessions.

At 31 December 2001 there was one bank guarantee issued to the Minister of Energy and Mining, representing the Republic of Sudan, in relation to the first commitment period in Block 5B. The total exploration expenditure commitment amounts to USD 33 million, of which 33.3 percent is guaranteed by the Sudan partners. The restricted cash reflects Lundin Petroleum's paying interest of 27.2 percent. During 2002 a further bank guarantee has been issued to Edison as operator of the Munir concession in Iran in relation to work commitments on this concession. The amount represents 30% of the guarantee requirement. During 2002, Lundin Petroleum farmed out 10% of its share of the Munir concession. The bank guarantee was reduced to 30% during March 2003. The collateral for the bank guarantees, and hence the restricted cash, will be reduced in proportion with the work performed.

NOTE 15 – INVENTORIES (TSEK)

Inventories comprise:	Group 31 December 2002	Group 31 December 2001	Parent Company 31 December 2002	Parent Company 31 December 2001
Hydrocarbon stocks	12,839	–	–	–
Drilling equipment and consumable materials	32,723	–	–	–
	45,562	–	–	–

NOTE 16 – CURRENT RECEIVABLES (TSEK)

Current receivables comprise:	Group 31 December 2002	Group 31 December 2001	Parent Company 31 December 2002	Parent Company 31 December 2001
Trade receivables	118,067	–	134	–
Underlift	4,309	–	–	–
Joint Venture debtors	69,031	–	–	–
Due from Group companies	–	–	337	800
Deposits (Note 31)	37,407	–	–	–
Tax instalments paid	42,258	–	–	–
VAT recoverables	7,785	–	–	–
Other	11,284	8,179	618	1,091
	290,141	8,179	1,089	1,891

NOTE 17 – SHAREHOLDERS' EQUITY (TSEK)

Shareholders' equity comprises:

Group 2002	Share Capital	Restricted reserves	Retained earnings	Net result	Total
Balance at 1 January	2,124	922,331	–	-41,988	882,467
Transfer of prior year net result	–	-41,988	–	41,988	–
Distribution of reserves from subsidiary	–	–	-972	–	-972
Transfer from non restricted capital	–	–	–	–	–
Currency translation difference	–	-109,697	15,637	–	-94,060
New share issue	363	159,878	–	–	160,241
Net result	–	–	–	-16,564	-16,564
Balance at 31 December	**2,487**	**930,524**	**14,665**	**-16,564**	**931,112**

Parent company 2002	Share Capital	Share premium reserve	Retained earnings	Net result	Total
Balance at 1 January	2,124	910,355	–	-41,440	871,039
Transfer of prior year net result	–	-41,440	–	41,440	–
New share issue	363	162,131	–	–	162,494
Share issue cost	–	-2,254	–	–	-2,254
Net result	–	–	–	-80,904	-80,904
Balance at 31 December	**2,487**	**1,028,792**	–	**-80,904**	**950,375**

The total number of issued shares amounts to 248,685,016 (2001 – 212,407,568). At 31 December 2002, 235,850 shares were issued but not yet registered. All shares have a nominal value of SEK 0.01 each.

The distribution of reserves from subsidiary of TSEK 972 represents the amount of distribution paid to the minority shareholders of Lundin International SA (formerly Coparex International SA).

NOTE 18 – PROVISIONS – SITE RESTORATION (TSEK)

Provisions comprise:	Group 31 December 2002	Group 31 December 2001	Parent Company 31 December 2002	Parent Company 31 December 2001
Site restoration				
Opening balance	–	–	–	–
Aqcuired on acquisition	56,375	–	–	–
Unwinding of discount (Note 6)	1,746	–	–	–
Currency translation difference	290	–	–	–
	58,411	–	–	–

NOTE 19 – OTHER PROVISIONS (TSEK)

Provisions comprise:	Termination Indemnity Provision	Other	Total
Opening balance 1 January 2002	–	–	–
Aqcuired on acquisition	–	2,558	2,558
Additions	3,578	27	3,605
Currency translation difference	-94	-18	-112
	3,484	**2,567**	**6,051**

The termination indemnity provision represents Lundin Petroleum's share of the provision for employment termination costs within the Salawati joint ventures in Indonesia. This provision is supported in full by cash deposits held by the joint venture that are included within financial fixed assets.

NOTE 20 – BANK LOANS (TSEK)

Banks loans comprise:	Group 31 December 2002	Group 31 December 2001	Parent Company 31 December 2002	Parent Company 31 December 2001
Current:				
Repayment within 1 year	–	–	–	–
Long-term:				
Repayment within 1–2 years	146,531	–	–	–
Repayment within 2–5 years	629,206	–	–	–
Repayment after 5 years	278,613	–	–	–
	1,054,350	–	–	–

Bank loans include amounts of TSEK 1,054,350 (MUSD 120.6) at 31 December 2002 and TSEK 0 at 31 December 2001 due under a credit facility of MUSD 130 secured by a pledge over the shares in certain companies in the Group. The current amounts outstanding carry an interest of LIBOR plus 1.75%.

Loan repayments under the credit facility are recalculated at six month intervals based upon updated economic parameters and technical information.

NOTE 21 – FINANCE LEASE (TSEK)

Leased assets included in office equipment and other assets (Note 10), where the Group is a lessee under a finance lease, comprise Real Estate.

	Group 31 December 2002	Group 31 December 2001	Parent Company 31 December 2002	Parent Company 31 December 2001
Real Estate				
Booked value of the capitalised finance leases	45,843	–	–	–
Accumulated depreciation	-761	–	–	–
	45,082	–	–	–

Finance lease – minimum lease payments:	Group 31 December 2002	Group 31 December 2001	Parent Company 31 December 2002	Parent Company 31 December 2001
Current:				
Repayment within 1 year	9,186	–	–	–
Long-term:				
Repayment within 1–2 years	9,187	–	–	–
Repayment within 2–5 years	3,493	–	–	–
	21,866	–	–	–

NOTE 22 – OTHER CURRENT LIABILITIES (TSEK)

Other current liabilities comprise:	Group 31 December 2002	Group 31 December 2001	Parent Company 31 December 2002	Parent Company 31 December 2001
Overlift	22,164	–	–	–
Acquisition liability (Note 25)	109,362	–	–	–
Joint Venture creditors	17,587	–	–	–
VAT payables	4,639	–	–	–
Social charges payable	3,649	–	–	–
Other	6,376	1,954	127	298
	163,777	1,954	**127**	298

NOTE 23 – ACCRUED EXPENSES (TSEK)

Accrued expenses comprise:	Group 31 December 2002	Group 31 December 2001	Parent Company 31 December 2002	Parent Company 31 December 2001
Holiday pay	5,299	–	42	–
Joint Venture costs	1,142	–	–	–
Operating costs	29,744	–	–	–
General and administrative costs	3,330	–	–	–
Social security charges	1,058	–	40	–
Salaries and wages	419	–	60	–
Restructuring cost	20,275	–	–	–
Other	2,876	2,003	1,414	1,454
	64,143	2,003	**1,556**	1,454

Restructuring costs of TSEK 20,275 comprise an accrual for redundancy costs for some of the personnel employed within the acquired Lundin International SA Group of companies (formerly Coparex International SA).

NOTE 24 – PLEDGED ASSETS

The Group has entered into a MUSD 130 term and revolving credit facility under which an amount of MUSD 120.6 is outstanding as at 31 December 2002. This facility is secured by a pledge over the shares of certain of the Group companies, principally, the companies acquired through the Lundin International SA (formerly Coparex International SA) acquisition and future cashflows generated from the pledged companies.

The amount stated for pledged assets of TSEK 247,779 represents the net asset book values of the pledged companies.

NOTE 25 – CONTINGENT LIABILITIES

During the year the Group completed the acquisition of 95.3% of the outstanding shares in Lundin International SA (formerly Coparex International SA) for a cash payment of MUSD 172.5 and a deferred consideration of up to MUSD 27.5 payable upon the performance of certain Tunisian assets. The liability to pay the deferred consideration is calculated up to 31 December 2005. An amount of TSEK 109,362 has been recorded against the purchase price of the shares for Lundin Petroleum's estimate of the amount payable under the deferred consideration. A contingent liability exists to the extent that the deferred consideration has not been fully provided.

In May 2002 the Compensation Committee recommended to the Board of Directors, and the Board of Directors approved that a pension be paid to Adolf H. Lundin upon his resignation as Chairman of the Board of Directors and his appointment as Honorary Chairman. The pension amount agreed consists of monthly payments totalling an annual amount of TCHF 214 (TSEK 1,385) for the duration of his life. It was further agreed that upon the death of Adolf H. Lundin, monthly payments totalling an annual amount of TCHF 138 (TSEK 867) would be paid to his wife, Mrs Eva Lundin for the duration of her life. The Company may, at its option, buy out the obligation to make the pension payments through a lump sum payment in the amount of TCHF 2,000 (TSEK 12,618). No provision has been recorded for these payments as at 31 December 2002.

NOTE 26 – CASH FLOW ANALYSIS – OTHER NON CASH ITEMS (TSEK)

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Provision for decrease in value of shares in KMOC	–	23,823	–	23,823
Interest received as shares	–	-683	–	-683
Deferred tax	-5,308	–	–	–
Site restoration discount	1,746	–	–	–
	-3,562	23,140	–	23,140

NOTE 27 – CASH FLOW ANALYSIS - INVESTMENTS IN SHARES AND PARTICIPATIONS (TSEK)

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Oil & gas assets	1,588,887	–	–	–
Other fixed assets	45,500	–	–	–
Financial fixed assets	25,271	–	–	–
Other current assets	1,004,039	–	–	–
Provisions	-323,569	–	–	–
Long term liabilities	-233,042	–	–	–
Current liabilities	-232,650	–	–	–
Minority interest	-3,276	–	–	–
Shares in subsidiary	–	–	170,908	95,297
Purchase price	1,871,160	–	170,908	95,297
Cash in aquired company	-548,779	–	–	–
Amounts outstanding on purchase price	-109,371	–	–	–
Effect on cash flow	**1,213,010**	–	**170,908**	95,297

The values shown in the table represent the values assigned to the assets and liabilities of Lundin International SA (formerly Coparex International SA) and its consolidated subsidiaries as at the date of acquistion by Lundin Petroleum for the purposes of consolidating into the Group accounts of Lundin Petroleum AB.

NOTE 28 – RELATED PARTY TRANSACTIONS

The Group has entered into transactions with related parties on an arms length basis as described below:

The Group paid TSEK 346 (2001 - TSEK134) to Namdo Management Services Ltd., a private corporation owned by Lukas H. Lundin, a director of the Company, pursuant to a services agreement. Namdo has approximately 12 employees and provides administration and financial services to a number of public companies. Accordingly, there is no basis for allocating the amounts paid to Namdo to Lukas H. Lundin directly.

The Group received TSEK 4,924 (2001 – TSEK 340) from Vostok Nafta Investment Ltd and related companies, for the provision of office and accounting services. Vostok Nafta is considered a related party because the Honorary Chairman of Lundin Petroleum AB, Adolf H. Lundin has significant investment within this company.

The Group received TSEK 1,148 (2001 – TSEK nil) from Lundin SA for the provision of services. Lundin SA is owned by Adolf H. Lundin.

During 2001, Adolf H. Lundin agreed to provide the Company with a loan facility up to a maximum of USD 10 million to provide liquidity until the completion of the share issue in November 2001. No funds were drawn under this facility and the facility was cancelled on 16 November 2001. A commitment fee was payable on undrawn funds during the period of the loan agreement. This fee amounted to TSEK 376.6 for the period.

NOTE 29 – AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS (TSEK)

	2002		2001	
Average number of employees	**Total employees**	**of which men**	**Total employees**	**of which men**
Parent company				
Sweden	3	1	2	–
Total parent company	**3**	**1**	2	–
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
France	71	52	–	–
Switzerland	22	17	28	21
Netherlands	3	2	–	–
Sudan	52	48	32	28
Indonesia	22	16	–	–
Tunisia	8	5	–	–
Albania	1	1	–	–
Total subsidiary companies	**179**	**141**	60	49
Total Group	**182**	**142**	62	49

No compensation expense has been recorded in the consolidated income statement for the issue of employee share warrants as the share warrants have been issued at an exercise price equal to market value. Had the share warrants been valued using the Black and Scholes formula for pricing warrants and an expense been recorded in the consolidated income statement then amounts on TSEK 2,984.5 and TSEK 3,077.2 would have been recorded for the years ended 31 December 2001 and 2002 respectively.

	2002		2001	
Salaries, other remuneration and social security costs	**Salaries and other remuneration**	**Social security costs**	**Salaries and other remuneration**	**Social security costs**
Parent company				
Sweden	556	161	612	186
Total parent company	**556**	**161**	612	186
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
France	9,342	4,448	–	–
Switzerland	34,458	5,360	9,518	1,344
Netherlands	427	70	–	–
Sudan	20,678	619	6,267	316
Indonesia	1,541	75	–	–
Tunisia	1,343	165	–	–
Albania	233	7	–	–
Total subsidiary companies	**68,022**	**10,744**	15,785	1,660
Total Group	**68,578**	**10,905**	16,397	1,846
of which pension costs	2,643	–	24	–

Salaries, other remuneration per country split between the Board of Directors and other employees	2002 Board of Directors and MD	2002 Other employees	2001 Board of Directors and MD	2001 Other employees
Parent company				
Sweden	–	556	383	229
Total parent company	**–**	**556**	383	229
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
France	–	9,342	–	–
Switzerland	9,201	25,257	1,851	7,667
Netherlands	317	110	–	–
Sudan	2,731	17,947	–	6,267
Indonesia	421	1,120	–	–
Tunisia	175	1,168	–	–
Albania	–	233	–	–
Total subsidiaries	**12,845**	**55,177**	1,851	13,934
Total Group	**12,845**	**55,733**	2,234	14,163

NOTE 30 – RESERVE QUANTITY INFORMATION (UNAUDITED)

	Total Oil MBBL	France Oil MBBL	Netherlands Oil MBBL	Tunisia Oil MBBL	Venezuela Oil MBBL	Indonesia Oil MBBL	Sudan Oil MBBL
Proved and probable oil reserves							
1 January 2002	60,200	–	–	–	–	–	60,200
Changes during the year							
- acquisitions	43,876	24,296	32	3,456	8,436	7,656	–
- production	-1,188	-452	-7	-265	-178	-286	–
	42,688	23,844	25	3,191	8,258	7,370	–
31 December 2002	102,888	23,844	25	3,191	8,258	7,370	60,200

	Total Gas MCF	France Gas MCF	Netherlands Gas MCF	Tunisia Gas MCF	Venezuela Gas MCF	Indonesia Gas MCF	Sudan Gas MCF
Proved and probable gas reserves							
1 January 2002	–	–	–	–	–	–	–
Changes during the year							
- acquisitions	86,863	–	56,105	–	4,121	26,637	–
- production	-2,613	–	-1,938	–	-578	-97	–
	84,250	–	54,167	–	3,543	26,540	–
31 December 2002	84,250	–	54,167	–	3,543	26,540	–

Of total proved and probable oil and gas reserves at 31 December 2002, 76.6 mbbl of oil and 141.1 mcf of gas are attributable to minority shareholders of certain subsidiaries of the Group.

NOTE 31 – SUBSEQUENT EVENTS

In January 2003, Lundin Petroleum acquired a 75% shareholding in a start up Norwegian oil company called OER Oil AS at a cost of MNOK 30 (MSEK 37.4) (MUSD 4.3). At the same time as the investment in OER, OER completed the acquisition of minority interests in the Brage and Njord fields offshore Norway. The acquired fields are estimated to contain net recoverable reserves of 5 million boe and with forecast net production of in excess of 2,000 boepd. A cash deposit (Note 16) of MUSD 4.0 (MSEK 37.4) had been lodged with a legal firm in Norway as at 31 December 2002 in anticipation of completing this acquisition of OER Oil AS.

To the annual general meeting of the shareholders of Lundin Petroleum AB (publ) (Reg no 556610-8055)

We have audited the annual accounts, the consolidated accounts and the accounting records and the administration of the Board of Directors and the President of Lundin Petroleum AB for the financial year 2002. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes evaluating the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to determine the liability, if any, to the Company or any Board member, or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, or the Company's Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the accumulated deficit of the Parent Company be dealt with in accordance with the proposal in the Administration Report, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 22 April 2003

CARL-ERIC BOHLIN
AUTHORISED PUBLIC ACCOUNTANT
PRICEWATERHOUSECOOPERS AB

KLAS BRAND
AUTHORISED PUBLIC ACCOUNTANT
PRICEWATERHOUSECOOPERS AB

The Board of Directors of Lundin Petroleum has established a Compensation Committee to administer the Company's executive compensation program. The Committee is composed of three non-management directors and meets at least annually to receive information on and determine matters regarding executive compensation, in accordance with policies approved by the Board. The guiding philosophy of the Committee in determining compensation for executives is the need to provide a compensation package that is competitive and motivating, will attract and retain qualified executives and encourage and motivate performance. Performance includes achievement of the Company's strategic objective of growth and the enhancement of shareholder value through increases in the stock price resulting from advances in the Company's business, continued low cost operations and enhanced cash flow and earnings. In establishing compensation for executive officers, the Committee takes into consideration individual performance, responsibilities, length of service and levels of compensation provided by industry competitors. The Committee can recommend bonus payments to executive management in respect of work related to individual projects or in special circumstances. There is no policy for the guaranteed payment of an annual bonus.

Salaries and other remuneration (TSEK)

	Salary	Bonuses	Benefits	Total 2002	Total 2001	Pension contributions 2002	Pension contributions 2001
Executive Management			(1)		(2)	(3)	(2)
Ian H Lundin	2,250	–	551	2,801	925	192	69
Ashley Heppenstall	2,124	623	432	3,179	848	173	63
Alexandre Schneiter	1,955	312	86	2,353	725	158	58
Other Management (4)	3,497	499	336	4,332	1,789	402	87

	Fees	Directors fees	Pension payments	Total 2002	Total 2001
Non-executive Directors					
Adolf Lundin	710	–	864	1,482	593
Magnus Unger	785	–	–	785	238
Carl Bildt	–	210	–	210	77
Kai Hietarinta	–	210	–	210	77
Lukas Lundin	–	210	–	210	77
William Rand	–	210	–	210	77

(1) Benefits paid include school fees and health insurance.
(2) 2001 figures are for period of consolidation from 22 August 2001 to 31 December 2001
(3) Pension contributions are payments to non-contributory pension funds of approximately five times above the minimum Swiss statutory levels
(4) Other management comprise the three Vice Presidents identified on page 23

The are no severance pay agreements in place for any of the Directors or Executive Management.

The Company has an incentive program for employees whereby warrants are issued to employees enabling them to buy shares in the company. The warrants are issued at a price equal to the average share price for the ten trading days following the AGM. The warrants are valid for three years but can not be exercised within the first year of issue.

Incentive warrants	Issued 2001	Issued 2002	Total
Executive Management			
Ian H Lundin	635,000	650,000	1,285,000
Ashley Heppenstall	444,500	450,000	894,500
Alexandre Schneiter	444,500	450,000	894,500
Other Management	196,850	205,000	401,850
Non-executive Directors			
Magnus Unger	76,200	80,000	156,200

	Issued 2001	Issued 2002
Exercise price (SEK)	3.37	4.50
Exercise period	1 May 2002 – 1 May 2004	31 May 2003 – 31 May 2005

No warrants have been exercised by management during the period.

In May 2002 the Compensation Committee recommended to the Board of Directors, and the Board of Directors approved that a pension be paid to Adolf H. Lundin upon his resignation as Chairman of the Board of Directors and his appointment as Honorary Chairman. The pension amount agreed consists of monthly payments totalling an annual amount of TCHF 214 (TSEK 1,385) for the duration of his life. It was further agreed that upon the death of Adolf H. Lundin, monthly payments totalling an annual amount of TCHF 138 (TSEK 867) would be paid to his wife, Mrs Eva Lundin for the duration of her life. The Company may, at its option, buy out the obligation to make the pension payments through a lump sum payment in the amount of TCHF 2,000 (TSEK 12,618). No provision has been recorded for these payments as at 31 December 2002.

ABBREVIATIONS

AGM	Annual General Meeting
EGM	Extraordinary General Meeting
SEK	Swedish krona
USD	US dollar
CHF	Swiss francs
TSEK	Thousand SEK
TUSD	Thousand USD
TCHF	Thousand CHF
MSEK	Million SEK
MUSD	Million USD

OIL RELATED TERMS AND MEASUREMENTS

BBL	Barrel
BBLS	Barrels
BCF	Billion cubic feet
BOE	Barrels of oil equivalents
BOEPD	Barrels of oil equivalents per day
BOPD	Barrels of oil per day
MBBL	Thousand barrels (in Latin mille)
MMBO	Million barrels of oil
MMBOE	Million barrels of oil equivalents
MMBOPD	Million barrels of oil per day
CF	Cubic feet
MCF	Thousand cubic feet
MCFPD	Thousand cubic feet per day
MMCF	Million cubic feet

INDUSTRY SPECIFIC TERMS

Barrel	1 barrel is = 159 litres. 1 cubic foot = 0.028 m^3
Basin	A depression of large size in which sediments have accumulated.
ESC	Exploration Service Contract
EPSA	Exploration Production Sharing Agreement.
FPSO	Floating production, storage and offloading vessel
Hydrocarbons	Naturally occurring organic substances composed of hydrogen and carbon. They include crude oil, natural gas and natural gas condensate.
Licence	Company is granted rights to a concession and bears the cost of exploration and development, in return for paying to the government licence fees and royalties on production.
Paying interest	The cost-bearing interest arising out of the obligation to bear initial exploration, appraisal and development costs on behalf of a partner. The difference between the paying interest and the working interest will be recovered out of the partner’s share of oil produced.
Probable reserves	Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probablistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.
Proved reserves	Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known resevoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probablistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimates.
Seismic	A method of geophysical prospecting involving the interaction of sound waves and buried rocks.
Working interest	The actual interest owned by a party.

An extensive list of definitions can be found on the Lundin Petrolem website www.lundin-petroleum.com under the heading “Definitions”

FINANCIAL REPORT DATES

The Company will publish the following interim reports:

- Three month report (January-March 2003) will be published on 15 May 2003
- Six month report (January-June 2003) will be published on 14 August 2003
- Nine month report (January-September 2003) will be published on 14 November 2003

FURTHER INFORMATION CAN BE FOUND ON THE LUNDIN PETROLEUM WEBSITE: WWW.LUNDIN-PETROLEUM.COM

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