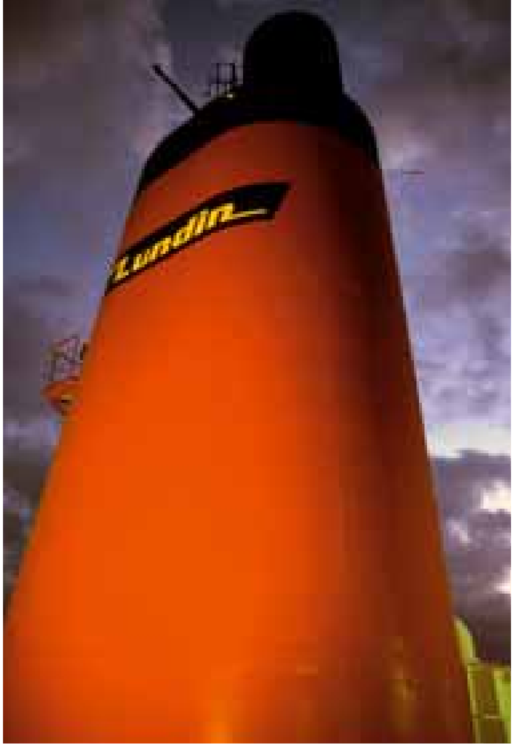


Lundin Petroleum AB

ANNUAL REPORT 2003

>>PROFILE

Contents

Our Mission

To explore for, develop and produce oil and gas in the most economically efficient, socially and environmentally responsible way, for the benefit of the shareholders, employees and host nations

meeting our objectives...

Our Vision

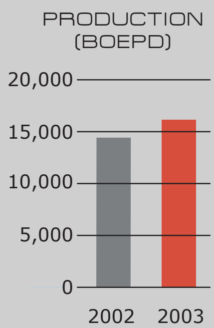
To continue to build a significant oil and gas exploration and production company, which will deliver significant growth and provide increasing value to shareholders

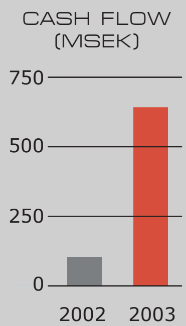
Definitions:
References to "Lundin Petroleum" or "the Company" pertain to the corporate group in which Lundin Petroleum AB (publ) (company registration number 556610–8055) is the parent company or to Lundin Petroleum AB (publ), depending on the context.

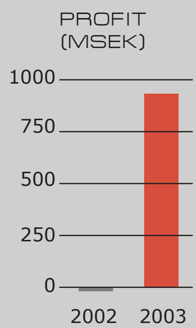
References to "Coparex" pertain to Lundin International SA (formerly Coparex International SA)

››HIGHLIGHTS 2003

- **Production of approximately 5.8 mmboe**
- **Average production 16,000 boepd**
- **Like for like reserves increase of 29%**
- **Turnover of MSEK 1,120.5**
- **Average price received per boe USD 27.35**
- **Profit after tax MSEK 930.2**
- **Diluted earnings per share SEK 3.71**
- **Operating cashflow of MSEK 634.6**
- **Gain on sale of Sudan Block 5A MSEK 720.1**







››OUTLOOK 2004

- **Completion of acquisition of certain DNO assets in the UK, Norway and Ireland**
- **Forecast average production of 29,000 boepd, increasing to 40,000 at the end of the year**
- **Exploration program**
  - Two back-to-back exploration wells, SQD-1 and S-1, in the Munir Block, Iran
  - One exploration well, Luttelgeest-1, onshore Netherlands
  - Two exploration wells in Indonesia on the Blora (Padi-1) and Lematang (Banteng-1) licences
  - One exploration well on the Hamsun prospect, PL150, Norway [1]
  - One exploration well, South Mimosa-1D, in the Aquitaine Basin, France
- **Development projects**
  - The Broom field, offshore UK to come on stream in the second half of 2004
  - Approval of the Alvheim project offshore Norway [1]
  - Approval of Oudna project offshore Tunisia

1 Ownership is conditional on governmental approval of acquisition of DNO Norway assets

»LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,
We are very pleased with the development and growth of our company in the past year. 2003 was another successful year for Lundin Petroleum.

The overall objective for management is to create financial value for our shareholders. We seek to do this by acquiring oil and gas reserves which we then look to put into production to create a financial profit. We strongly believe that in the current macro economic climate of increasing demand for hydrocarbons, companies with access to oil and gas reserves and production will be the most successful. In this respect we will explore all areas of our small world to reach that objective.

The highlights for Lundin Petroleum in 2003 were:

- The successful integration of the Coparex assets into Lundin Petroleum. This deal has proved to be an excellent investment for the Company's shareholders. The assets produced strongly in 2003 generating most of the SEK 634 million of operating cash flow of the Company. These assets will continue to produce strong cash flow whilst also providing further development and exploration opportunities.

- The sale of our 40.375 percent working interest in Block 5A, onshore Sudan to Petronas Carigali for USD 142.5 million in cash. This deal resulted in an after tax profit contribution to Lundin Petroleum of SEK 720 million, out of total net profit of SEK 930 million and clearly demonstrates the value that can be generated through successful exploration drilling. Lundin Petroleum remains fully committed to Sudan through its 24.5 percent working interest in Block 5B which we believe has the potential to contain major reserves.

- The agreement to acquire a major portfolio of assets in the United Kingdom, Norway and Ireland from DNO. The acquisition will double our reserves and production which we forecast will approach 40,000 boepd by year-end 2004. The acquisition gives us particular exposure to development projects notably Broom, offshore United Kingdom and Alvheim, offshore Norway which will provide strong production growth for the company over the next few years. We also have acquired exciting exploration assets that have already delivered positive results: the recent Hamsun well offshore Norway in which we will have a 35 percent interest through the DNO acquisition is a significant oil and gas discovery close to existing infrastructure.

We believe we have created a strong base from which we can grow the Company further and we are optimistic regarding the future. We are forecasting for 2004 a net profit of USD 50 million and an operating cash flow of USD 125 million using a USD 25 bbl oil price. We expect production to average 29,000 boepd for the year with year end production approaching 40,000 boepd.

Looking to the future we will continue to re-invest our cash flow into our development and exploration assets as well as looking at further acquisition opportunities. Our 2004 capital budget amounts to USD 144 million of which USD 34 million is exploration.

If we review our plans for 2004 in more detail:

United Kingdom
The major activity is the development of the Broom field operated by Lundin Petroleum. We expect the field to come onstream in the third quarter with a gross production exceeding 20,000 boepd. In addition we are proactively investing in workover and infill drilling programs on our Thistle and Heather fields. We believe that through proactive reservoir management additional value can be generated from these mature fields.

Norway
Our producing interests in Brage and Njord continue to generate good cash flow. Furthermore, we believe there are excellent opportunities in Norway for exploration and development of existing discoveries. We expect the Alvheim development to receive development approval this year with a forecast gross production of over 80,000 boepd in late 2006. The Hamsun exploration success provides further upside potential.

France
We will continue to invest in development drilling in both the Paris and Aquitaine Basins during 2004. In addition the South Mimosa exploration well in the Aquitaine Basin will be drilled in the second quarter of 2004.

Tunisia
The Isis field continues to perform in line with expectations. A plan for the development of the Oudna field has been submitted to the Tunisian authorities. The plan proposes the redeployment of the Ikdam FPSO to the Oudna field with a production start up in 2006.

Netherlands
Notwithstanding the strong contribution from our Dutch gas production we are still actively investing in further exploration. The Luttelgeest exploration well will be drilled in 2004 with reserve potential in excess of 1 tcf of recoverable gas. Lundin Petroleum's working interest is 10 percent.

C. Ashley Heppenstall President & CEO<<

Venezuela
We are actively seeking to increase our reserves and production in Venezuela through both acquisition and drilling activity. Meanwhile, the Colón Block is producing at the current transportation capacity.

Indonesia
We have an ongoing program of development and exploration drilling to enhance existing production in the Salawati region. In addition the Padi exploration well in the Blora Block, onshore Java and the Banteng exploration well in the Lematang Block, onshore South Sumatra will be drilled during 2004.

Iran
Drilling continues on the Munir concession. We are encouraged by the results to date despite the frustrating operational delays to the program and remain excited by the potential of this drilling campaign. We are one of the first groups of foreign investors to commence exploration drilling in Iran for a number of years. The prospects we are drilling are low technical risk, close to existing infrastructure and have the potential for major discoveries.

Looking Ahead
In summary, 2004 will be a big year for Lundin Petroleum. Our existing assets will generate strong production growth resulting in increased profit and cash flow. We have development projects particularly in Norway and Tunisia that will add new production and maintain the growth of the company.

In tandem we have a major exploration program in 2004 with exploration drilling in Iran, Norway, France, Netherlands and Indonesia.

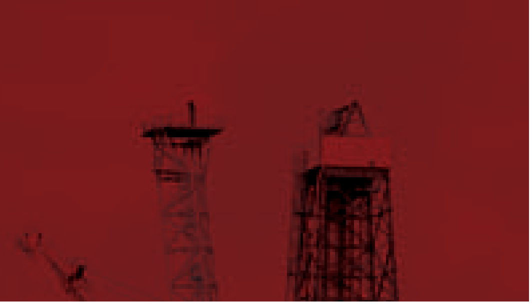
Lundin Petroleum's growth will continue to be driven by reserves and production growth. Nevertheless, we remain positive regarding the future strength of oil prices. The world political climate remains uncertain with the oil market producing at or close to full capacity. Demand for oil is exceeding expectation with strong economic growth particularly in China and India. At the same time OPEC's policy to support the oil price has been reinforced by the weak dollar. It usually makes us feel nervous when the "experts" start saying what we have been advocating for the last couple of years. However, I believe we are facing a sustained period of higher oil prices with the potential for sharp increases even from current levels if there is a material disruption to supply. Clearly if we are correct Lundin Petroleum will benefit from higher oil prices.

I am very proud of what our Company has achieved over such a short period. A particular mention should go to our staff around the world who have been instrumental in making this happen. People are key to our company. We work hard to make them feel that they are a real part of the Company who share important values in relation to safety, environment and social responsibility whilst at the same time seeking to create value for our shareholders.

I would also like to thank our shareholders for their continued support. Our Swedish oil company has grown significantly over a couple of years – I believe we can grow it further, delivering further increases in value to our shareholders.

Best regards,

C. ASHLEY HEPPENSTALL
PRESIDENT AND CEO



››LOOKING AHEAD

A word from the Chairman

One of the most common questions we get asked is: “when will the world run out of oil?” The answer is of course never. Like any natural resource, there will always be some oil left in the ground that is too expensive to recover.

World proven oil reserves at the end of 2002 stood at approximately 1 trillion barrels. At current production levels these proven reserves would be depleted in about 35 years. But of course we are not emptying a tank. As fields get older their pressure decreases and the water cut increases. The average annual decline rate of typical Middle Eastern fields is approximately 10 percent per annum. However the decline rate can accelerate if fields are overproduced. Some of the giant oil fields in the Middle East (particularly in Iraq, Iran and possibly Saudi Arabia) are known to be suffering from this effect.

Future “giant oil fields” are likely to be concentrated mainly in three regions: the Middle East, West Africa, and the Caspian. The Canadian tar sands also have potential in terms of existing reserves. However, the main problem with this resource is that it requires an enormous amount of natural gas to develop (something North America is running out of at an alarming rate). With regards to the Middle East, apart from the fact that the doors have not yet completely opened to foreign investment, exports are being affected adversely by rapidly increasing internal demand. For instance in Iran, which is the second largest OPEC producer, there is even talk of fuel shortages. West Africa and the Caspian still hold their promise for large oil reserves but generally speaking both regions are facing many difficult challenges. The Caspian region in particular has yet to deliver significant quantities of new oil into the market.

The demand side of the equation is dominated by US consumption. Imports to the United States total over 10 million barrels of oil per day. Total imports will continue to rise as US production, which peaked in 1970, continues to fall. However in China, which has overtaken Japan as the world’s second biggest oil consuming nation, the situation is more dramatic. It is hard to imagine that China was still exporting oil less than 10 years ago. China’s oil consumption is currently growing at 10 to 15 percent per year.

Ian H. Lundin Chairman<<

In summary, there are two important questions to be answered:

- when will global oil production start to decline?
- when will total oil demand catch up with total production capacity?

Recent indications point towards the possibility that the answer to both these questions is: "much sooner than expected".

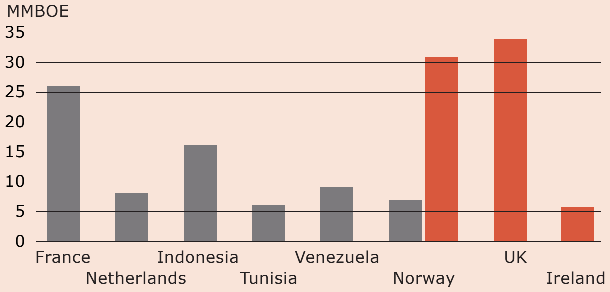
It is possible that we are now entering a very unstable period where energy prices will fluctuate dramatically as other forms of energy move in to replace oil as the world's primary fuel. Obvious candidates are: natural gas, coal and nuclear. However in the foreseeable future, none of these fuels will be in a position to compete with oil when it comes to the transport industry.

For most of the past century oil has dominated the energy scene due to its availability, transportability and reasonable price. As oil prices rise to new highs, that dominance will be put into question. However, we believe that demand for oil will continue to increase as long as it remains the primary fuel used for transportation. Therefore our philosophy to maintain and increase Lundin Petroleum's oil reserves continues to be our prime motivation as we enter an era where energy will play an ever-increasing role in the global economy.

Lundin Petroleum is well positioned to face the upcoming challenge to meet the world's growing energy demand.

IAN H. LUNDIN
CHAIRMAN

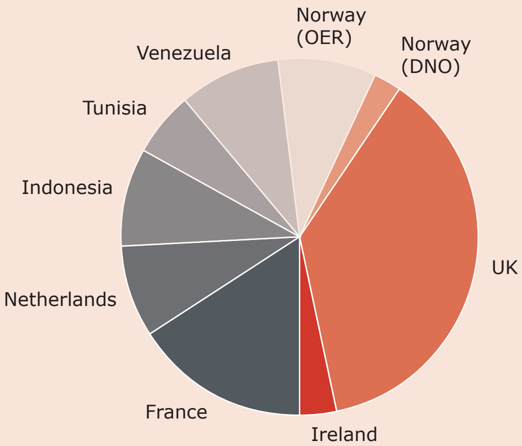
LUNDIN PETROLEUM
PROVEN & PROBABLE RESERVES 2004



EXISTING RESERVES >> **POST DNO ACQUISITION**
(as at 01 January 2004)

72 MMBOE **> 137 MMBOE**

LUNDIN PETROLEUM
PRODUCTION FORECAST 2004



29,000 BOEPD

>>MARKET DESCRIPTION

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 1,048 billion bbls at the end of 2002, of which 65 percent 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 from where the oil reserves are situated. At the end of 2002 there were 156 thousand billion m³ of proven natural gas reserves, of which the former Soviet Union and the Middle East both had 36 percent.

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 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.

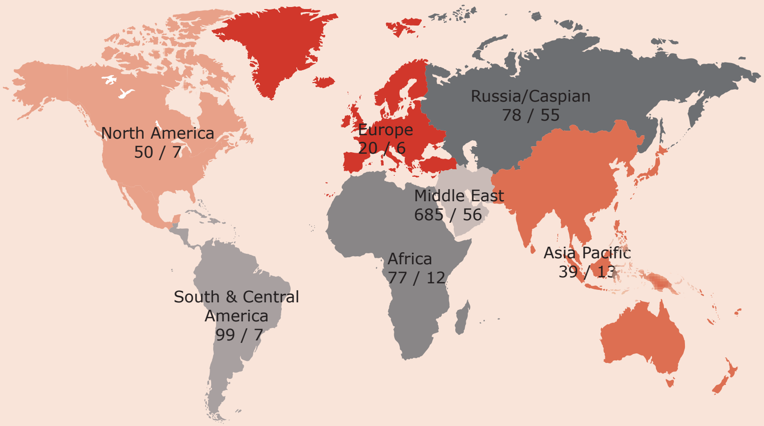
The consumption per capita varies greatly between different regions. North America has by far the greatest consumption per capita, followed by Europe.

Natural gas is consumed primarily in geographical proximity of the production, resulting in North America, former Soviet Union and hence Europe being the largest consumers of natural gas.

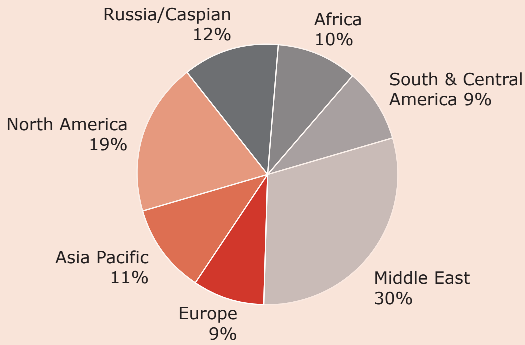
Oil Price Development

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. Other factors affecting oil prices are the cost of alternative

GLOBAL PROVEN OIL AND GAS RESERVES AT THE END OF 2002
(billion bbls / thousand billion m^3)

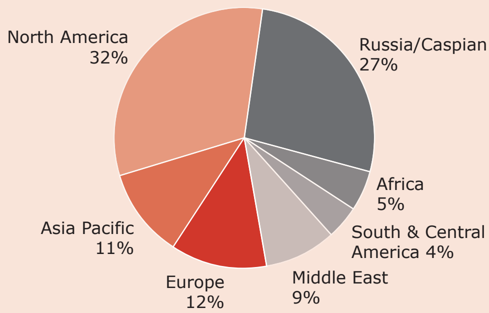


GLOBAL OIL PRODUCTION 2002



Total Production
73.9 million BOPD

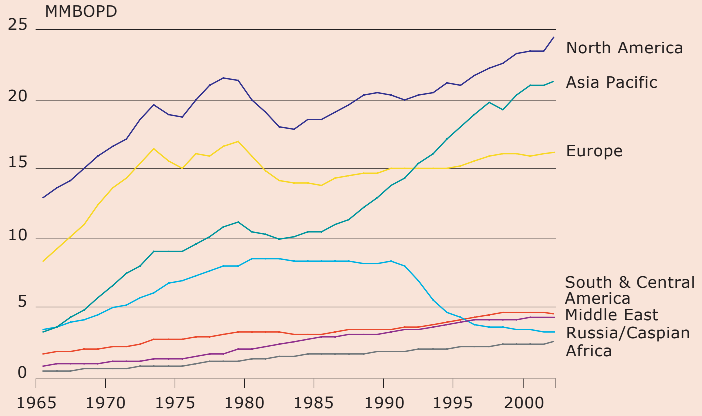
GLOBAL GAS PRODUCTION 2002



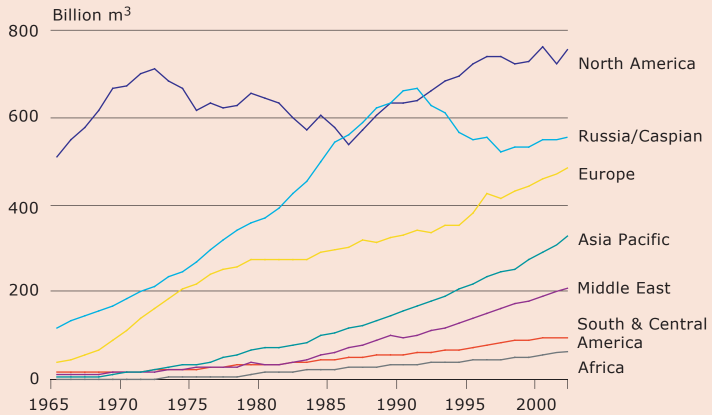
Total Production
2,527 billion m^3

Statistics source: BP Statistical Review of World Energy 2003

OIL CONSUMPTION PER REGION



GAS CONSUMPTION PER REGION



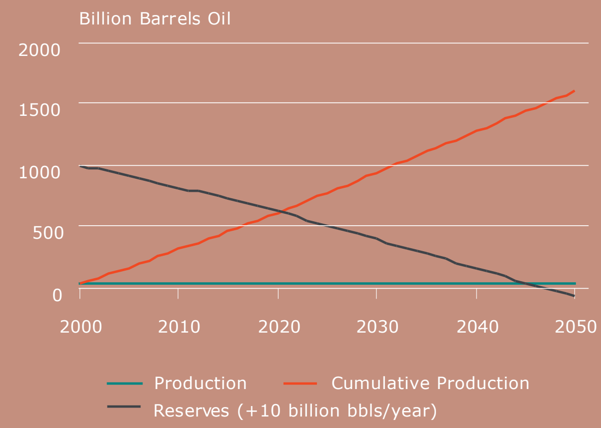
fuels, global economic conditions and weather conditions.

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 prices of oil.

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

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

Has Global Production Peaked?
The International Energy Agency (IEA) estimates that global oil production will increase by less than one percent up to 2030 and will decline thereafter at a similar rate. This means that 1,600 billion barrels of oil will have been produced between the present time and the year 2050. However, current global reserves stand at approximately 1,000 billion barrels. More importantly, since the year 2000, the annual discovery rate has been approximately 10 billion barrels versus annual production of 30 billion barrels. Even if we assume that this discovery rate can be maintained over the next few decades there could be a shortfall much sooner than expected. If anything the decline rate is likely to accelerate as older giant fields reach the end of their economic life. Several studies show that global oil production will peak in the near future, and the remaining reserves will then be worth much more than today.
(Source: Professor Kjell Aleklett, Uppsala University, Sweden)



››GLOBAL PORTFOLIO

AS AT 31 MARCH 2004

UNITED KINGDOM

- 4 production licences
- 1 exploration licence
- Gross area (km^2): 559
- Average working interest: 71.5%
- 2004 net production forecast: 10,800 BOEPD
- 2004 drilling forecast: 2 water injectors

IRELAND

- 1 production licence
- 2 exploration licences
- Gross area (km^2): 1,428
- Average working interest: 19.8%
- 2004 net production forecast: 500 BOEPD

VENEZUELA

- 1 production licence (Colón Block)
- Gross area (km^2): 3,247
- Working interest: 12.5%
- Net reserves: 9.1 MMBOE
- 2003 average net production: 2,380 BOEPD
  2004 net production forecast: 2,700 BOEPD
- 2003 wells drilled: 2 production
- 2004 drilling forecast: 2 production

FRANCE

- 14 production licences
- 7 exploration licences
- Gross area (km^2): 2,966
- Average working interest: 76.3%
- Net reserves: 26.0 MMBOE
- 2003 average net production: 4,160 BOEPD
  2004 net production forecast: 4,700 BOEPD
- 2003 wells drilled:
  1 exploration, 2 production
- 2004 drilling forecast:
  1 exploration, 4 production

NORWAY*

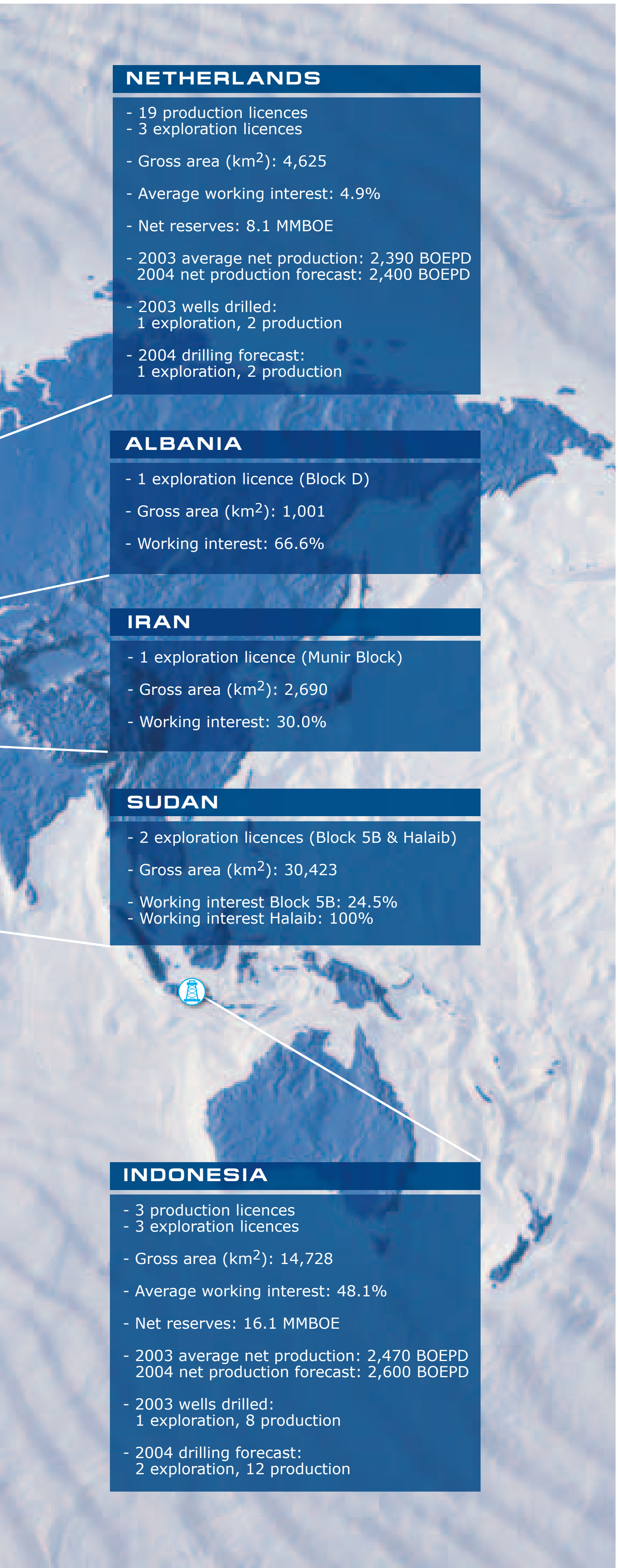
- 5 production licences
- 9 exploration licences
- Gross area (km^2): 1,632
- Average working interest: 33.6%
- Net reserves (excluding DNO acquisition):
  6.9 MMBOE
- 2003 average net production: 2,380 BOEPD
  2004 net production forecast: 3,300 BOEPD
- 2003 wells drilled: 3 production
- 2004 drilling forecast:
  2 exploration, 4 production

* Includes DNO acquisition assets

TUNISIA

- 6 production licences
- Gross area (km^2): 1,392
- Average working interest: 48.8%
- Net reserves: 6.2 MMBOE
- 2003 average net production: 2,330 BOEPD
  2004 net production forecast: 1,600 BOEPD

Note the 2004 production forecasts are based on the assumption that the DNO acquisitions of UK and Ireland complete on 31 March 2004 and of Norway on 30 June 2004



NETHERLANDS

- 19 production licences
- 3 exploration licences
- Gross area (km^2): 4,625
- Average working interest: 4.9%
- Net reserves: 8.1 MMBOE
- 2003 average net production: 2,390 BOEPD
  2004 net production forecast: 2,400 BOEPD
- 2003 wells drilled:
  1 exploration, 2 production
- 2004 drilling forecast:
  1 exploration, 2 production

ALBANIA

- 1 exploration licence (Block D)
- Gross area (km^2): 1,001
- Working interest: 66.6%

IRAN

- 1 exploration licence (Munir Block)
- Gross area (km^2): 2,690
- Working interest: 30.0%

SUDAN

- 2 exploration licences (Block 5B & Halaib)
- Gross area (km^2): 30,423
- Working interest Block 5B: 24.5%
- Working interest Halaib: 100%

INDONESIA

- 3 production licences
- 3 exploration licences
- Gross area (km^2): 14,728
- Average working interest: 48.1%
- Net reserves: 16.1 MMBOE
- 2003 average net production: 2,470 BOEPD
  2004 net production forecast: 2,600 BOEPD
- 2003 wells drilled:
  1 exploration, 8 production
- 2004 drilling forecast:
  2 exploration, 12 production

COUNTRY COORDINATORS

CHRIS BRUIJNZEELS
France
Netherlands
Indonesia
Ireland

CHRIS WYNN
Venezuela
Norway (DNO)

ALEXANDRE SCHNEITER
Chief Operating Officer

ANTOINE FABRE
Iran
Albania

JOHN GALVIN
Tunisia
Norway (OER)
UK

Lundin Petroleum's vision is to build a significant oil and gas exploration and production company. Today the Company 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 internal growth. This strategy can only be achieved with the support of a highly skilled, experienced and enthusiastic team of people, which will be able to continue to deliver constant growth and expertise in a very competitive environment. People and team spirit are key to the success of the Company. In order to meet its long term objectives Lundin Petroleum will continue to focus on building a strong team within the organisation that will allow it to transform the Company's vision into reality.

ALEXANDRE SCHNEITER
CHIEF OPERATING OFFICER
EXECUTIVE VICE PRESIDENT

FRANCE

France is one of the major operated producing areas of Lundin Petroleum. The Company is operator and/or partner in 21 production and exploration licences in the Aquitaine and Paris Basins and in the Jura/Bresse area. Facilities and infrastructure are in place with excess capacity to enable future development. Recent activities in horizontal well development and water injection projects have proven successful in maintaining/increasing oil production levels.

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

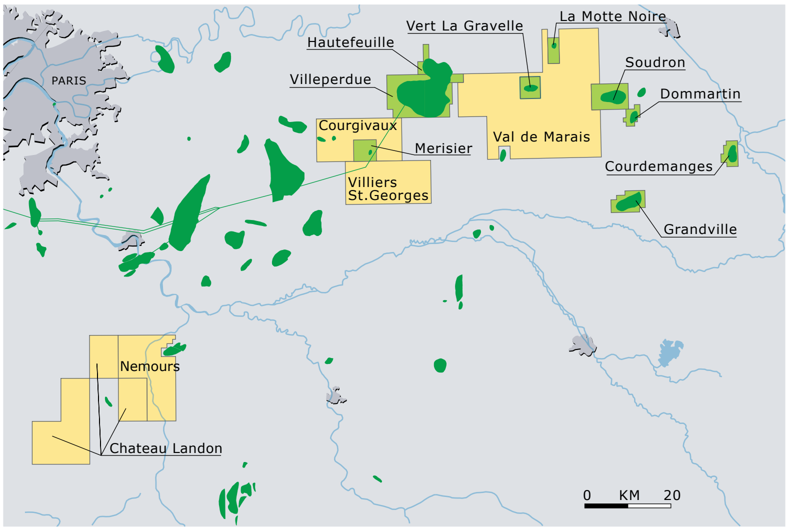
Lundin Petroleum operates ten production licences in the central part of the Paris Basin. Net proven and probable reserves are 19 million barrels of oil, yielding a 2004 production forecast of 2,900 bopd net to Lundin Petroleum. The majority of these fields are expected to produce at economic levels for the next 20 years.

The largest production asset is the Villeperdue field which produces over 1,850 bopd and accounts for 64 percent of Lundin Petroleum's production in the Paris Basin. Lundin Petroleum is operator and has a 100 percent 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.

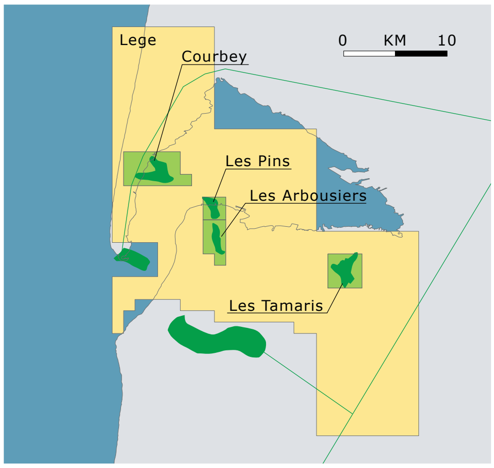
The balance of the production in the Paris Basin is generated from several smaller fields where production is maintained through active ongoing development projects with the objective to maintain/increase production.

The acquisition in 2002 of Coparex transformed Lundin Petroleum from a pure exploration player 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, occurred prior to a significant upward shift in the oil price. Lundin Petroleum has since acquired 75 percent of a small Norwegian oil company with 2,500 boepd of production. Further acquisitions have been made in the UK, Norway and Ireland providing Lundin Petroleum with a strong reserve base and estimated production of 40,000 boepd by the end of 2004.



>Paris Basin licences

Lundin interest - production
Lundin interest - exploration
Oil field
Oil pipeline



>Aquitaine Basin licences

An example is the Merisier field, where the 2003 drilling activity increased oil productivity from 34 to 240 bopd. This field will be further developed in 2004 through the drilling of another two development wells.

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

Lundin Petroleum operates another five exploration licences with further exploration potential on trend with the Villeperdue field.

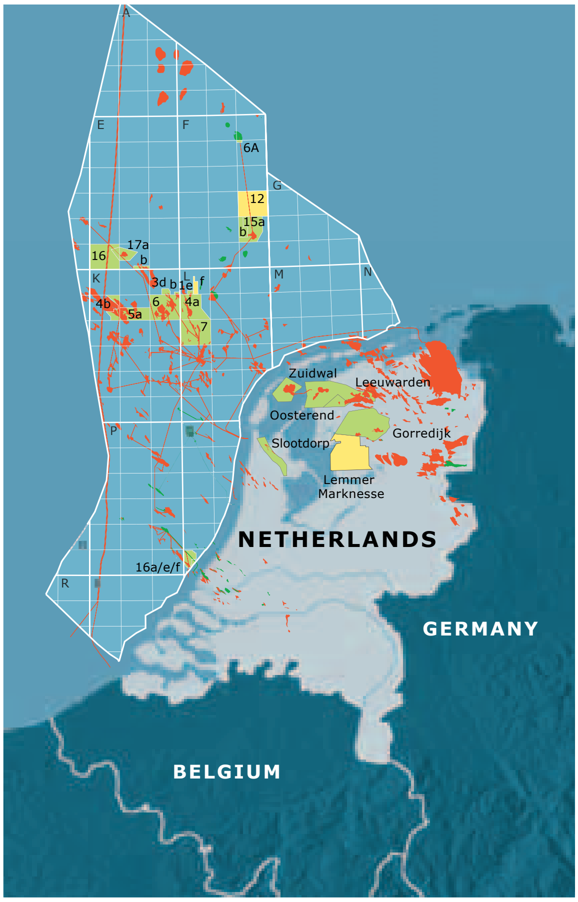
Aquitaine Basin
Lundin Petroleum has a 50 percent working interest in four production licences and one exploration licence in the Aquitaine basin. Esso Rep is the operator. The Courbey and Les Pins fields extend below the Bay of Arcachon and are developed via deviated wells drilled from onshore facilities. Les Arbousiers and Tamaris are onshore fields. A successful development well was drilled in the Les Pins field in 2003.

Net proven and probable reserves are 7 million barrels of oil and the 2004 production forecast is 1,800 bopd net to Lundin Petroleum. One development sidetrack is planned in the Courbey field in the third quarter of 2004 to enhance existing production.

Five exploration prospects have been defined in the Lege exploration licence. It is planned to drill the South Mimosa prospect in the second quarter of 2004 with potential gross recoverable reserves of 3.6 mmboe.

>>NETHERLANDS

Photos >left: Workover rig over platform K6GT
>right: Platform L4A



Lundin interest - production
Lundin interest - exploration
Gas field
Oil field
Gas pipeline
Oil pipeline

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 8.1 million boe and forecast 2004 production from 19 offshore and onshore gas producing licences is 2,400 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. Two new wells and two development sidetracks were drilled during 2003. In 2004 it is planned to drill two new offshore development wells.

Exploration
In addition to the production licences, Lundin Petroleum also holds interests in two offshore exploration licences and one onshore exploration licence in which the working interest ranges from 1.45 to 10.00 percent. In 2003 one unsuccessful onshore exploration well was drilled. An exploration well in the onshore Lemmer Markness permit, Luttelgeest-1, is planned for mid 2004 with potential recoverable reserves of 1 tcf of gas. Lundin Petroleum has a 10 percent interest in this permit. The prospect is close to existing infrastructure and if successful, this discovery can be brought on stream with minimum lead-time.

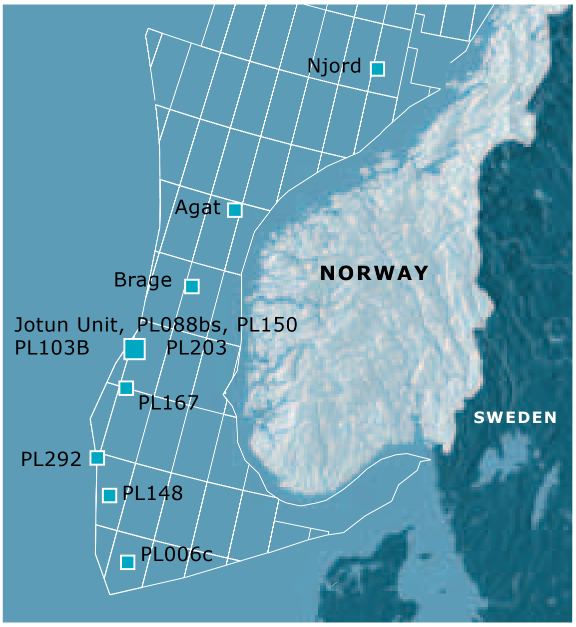



Photo >Njord A platform

NORWAY

In January 2003 Lundin Petroleum acquired a 75 percent interest in a Norwegian oil company OER oil AS (OER). OER subsequently acquired interests in the producing Brage (4.4%) and Njord (2.5%) fields. Forecasted production for 2004 is 2,500 boepd[1] with 6.9 million boe in reserves (excluding DNO acquisition). This was the first acquisition that enabled 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. In November 2003 Lundin Petroleum signed an agreement to acquire certain DNO assets in Norway. The Norwegian acquisition is expected to close in the second quarter of 2004 which will add further producing assets, fields under development and exploration acreage to the Norwegian portfolio.

This deal will secure production via a 7 percent interest in the middle-mature Jotun field. In addition, the company will become a 15 percent stakeholder in the substantial Alvheim development. Finally, the assets include six further licences, each of which contains an existing hydrocarbon discovery awaiting maturation to development. Four of these licences are operated, with interests ranging from 50 to 100 percent.

Production

The Brage field is a mature producing field with Lundin Petroleum production forecast for 2004 of 1,800 boepd. Norsk Hydro is the operator of 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. Further development drilling is planned for 2004.

The Njord field is another mature producing asset situated on the Haltenbanken on the Norwegian Continental Shelf which is also operated by Norsk Hydro. The Lundin Petroleum production forecast for 2004 is 700 boepd. The gas produced to date has been re-injected to maintain production. In order to maximise the value of the reserves, transportation and sales agreement are being negotiated to enable the value of the remaining gas reserves to be monetised. Additional development drilling is planned for 2004.

The producing Jotun field is a horizontal well development tied back to an FPSO vessel. The field came on stream in 1999 and is now past its peak production, yet is still expected to produce at around 24,000 gross production bopd through 2004. The first third party production will be received during 2004, from the nearby Ringhorne field – a trend which is anticipated to continue.

The Alvheim development comprises a group of oil and gas bearing structures, three of which were discovered and/or appraised in a successful 2003 drilling campaign. The field, operated by Marathon, is being 'fast-tracked' and development planning is at an advanced stage - development consent will be sought during 2004. Development drilling is expected to begin in 2005 with first production planned for 2006. Other discoveries in the area provide significant opportunities such as the PL 150 licence with Greig and the recent Hamsun oil and gas discovery (35% interest).

[1] 100 percent OER

››TUNISIA

TUNISIA

Lundin Petroleum has four production licences onshore and two licences offshore, Tunisia. With a forecasted daily net production of 1,600 boepd the Tunisian assets contribute a stable cash flow and provide Lundin Petroleum with further development projects and exploration potential.

Production

Lundin Petroleum is the operator and holds a 40 percent working interest in the offshore Isis field. The Isis field is currently in decline and the drilling of further wells on the field is unlikely. It is anticipated that the Isis field will be suspended in 2006 when the Ikdam FPSO (Floating Production, Storage and Offloading vessel) will be moved to the Oudna field. The Isis field was discovered in 1974 and was brought on stream in 2001 via an FPSO.

Lundin Petroleum has entered into a sale and purchase agreement (SPA) with Spyker Energy SA for the sale of its entire interest in Companie Franco-Tunisienne des Petroles (CFTP) which operates the Sidi El Itayem Field. Closing of the SPA is subject to certain governmental approvals.

Development

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

The Oudna field was discovered in 1978 by Oudna well-1 and tested 7,000 bopd. The field has been the subject of a development study conducted in 2003, culminating in the submission of a Field Development Plan (FDP) to the Tunisian government. The development will consist of a

Ikdam

Oil from the Isis field is produced and stored on the IKDAM floating production, storage and offloading (FPSO) vessel. The Ikdam vessel was converted into an FPSO in 2000 applying high quality and safety standards. It has a maximum production capacity of 30,000 boepd and can store in excess of 600,000 boe. Offloading takes place between 3 to 4 times per year. There are approximately 40 personnel working in shifts on board the vessel.

It is proposed that the Ikdam will be redeployed to the Oudna field in time for the start of production.

Left: Cherif Ben Khelifa, Operations Manager, Tunisia
Right: Nick Gosse, General Manager, Tunisia

single production and a single water injection well, tied back to the Ikdam FPSO, with the first continuous oil production expected in 2006. The production well will be the subject of an Extended Well Test (EWT) designed to test the artificial lift system and resolve remaining reservoir uncertainties. The water injection well will be drilled following a successful EWT and the engineering and detailed design work to equip the Ikdam vessel undertaken.

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 Isis Ikdam AS (20%). The commercial arrangement is such that Lundin Petroleum and PGS each have a 50 percent commercial interest in the vessel.

Photos >Ikdam floating production, storage and offloading vessel

>>VENEZUELA

Photos >Drilling operations

VENEZUELA

Venezuela is one of the world's most prolific petroleum regions. Lundin Petroleum has a 12.5 percent 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 9.1 million barrels of oil equivalent with a net 2004 production forecast of 2,700 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. During 2003, two new wells on La Palma field resulted in a marked increase in production rates and facility upgrades are ongoing to ensure that the delivery of some 20,000 bopd (gross) from the block are sustained.

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 Socuavo fields, 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. This was highlighted by the successful drilling and completion of two new La Palma producers in 2003. The LPT-8 and 9 wells both came on stream at prolific production rates and at the end of the year were contributing some 9,500 bopd to the overall concession production. Studies are ongoing to assess the optimal locations for additional La Palma production wells in 2004.

Exploration
A number of undrilled prospects have been identified in the Colón Block. Some of these prospects are located below existing fields at geological levels that produce in other fields in the block. Studies are ongoing to assess these prospects and future exploration drilling in the Colón Block is likely.

INDONESIA

Lundin Petroleum has non-operated working interests in two oil and gas licence areas located onshore/offshore Western Papua, Salawati Basin and Salawati Island and one licence onshore South Sumatra, the Lematang Block. In addition Lundin Petroleum has operated interests in three exploration licences onshore Java and Papua. The net production forecast for 2004 from the three producing assets is 2,600 boepd with proven and probable reserves of 16.1 million boe.

Production

Production comes from two locations, Salawati Island and Salawati Basin operated by PetroChina. Salawati Island (14.409% working interest, plus a further 0.103% subject to government approval) has four main producing fields, onshore and offshore, whereas the Salawati Basin (25.936% working interest) has six producing onshore fields which include the major Walio and Kasim fields. Ongoing activities to enhance production are planned with 12 new infill development wells to be drilled during 2004.

Development

On South Sumatra Lundin Petroleum has a 15.88 percent working interest in the Lematang Production Sharing Contract which has a significant gas discovery called Singa. Probable certified reserves are 26.5 bcf of gas net to Lundin Petroleum. The demand for industrial gas is rapidly increasing in Sumatra and a letter of intent for the sale of gas has been agreed.

Exploration

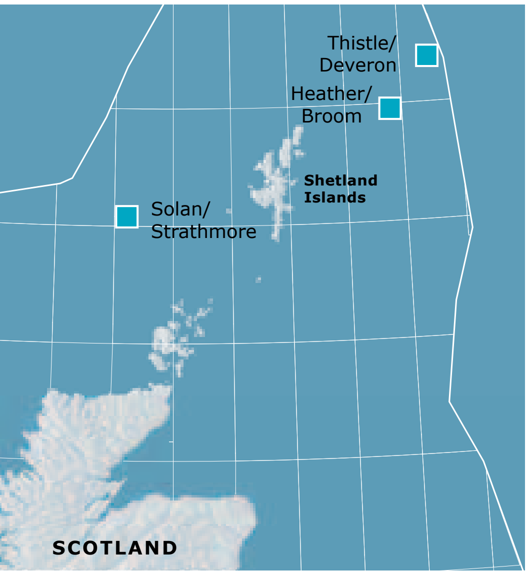
The acquisition of new 2D and 3D seismic in the Salawati Basin and Salawati Island licences will define the remaining potential and determine locations for further exploration drilling. In the event of a discovery, existing production facilities and infrastructure are in place.

Further exploration potential exists in the Blora and Banyumas licence areas. In the Blora Block, where Lundin Petroleum has a 40 percent working interest, several drillable prospects have already been defined and the Padi prospect is scheduled to be drilled in the third quarter 2004. In the Banyumas block where Lundin Petroleum has a 50 percent working interest, new seismic has been acquired over existing leads during 2003. Processing and interpretation is planned for 2004, with a possibility to drill in 2005.

In the Lematang Block (Lundin Petroleum 15.88%) the Banteng prospect is planned to be drilled in the second quarter 2004. Banteng is located some 17 kilometres from the Singa discovery and has potential reserves of over 500 bcf of recoverable gas.

The Sareba Block in Papua (100% working interest) is a high potential frontier exploration area. The Company will focus its efforts on finding new partners to reduce its financial exposure.

>>UNITED KINGDOM



UNITED KINGDOM

With the completion of the acquisition of DNO Britain in February 2004, Lundin Petroleum now has interests in a number of assets in the northern sector of the United Kingdom Continental Shelf. The major operated assets include two mature producing fields, Thistle and Heather, and the Broom Field, currently in the latter stages of development.

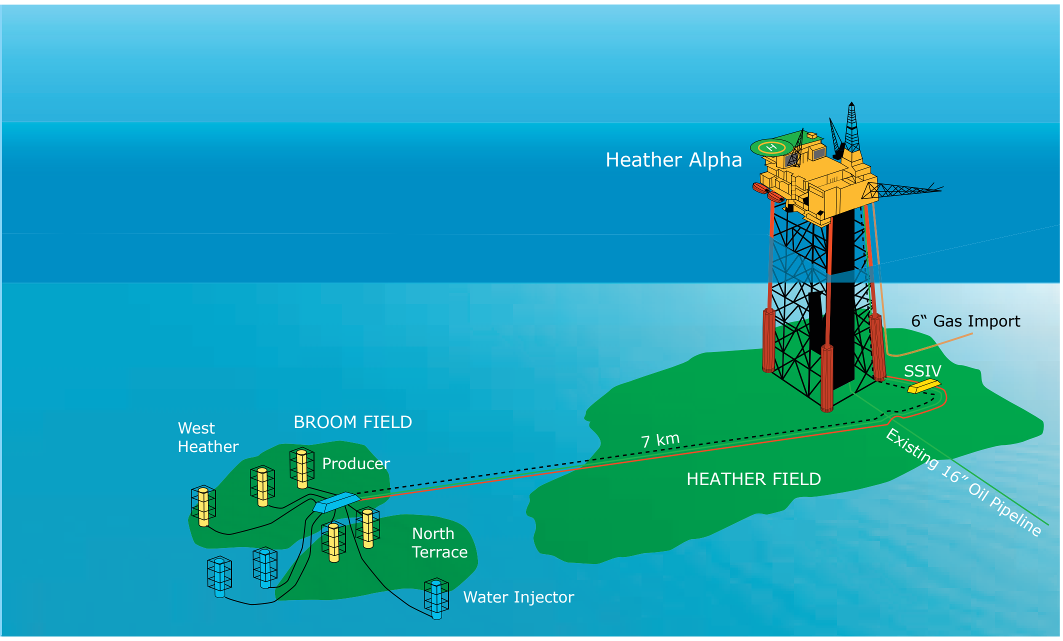
Production

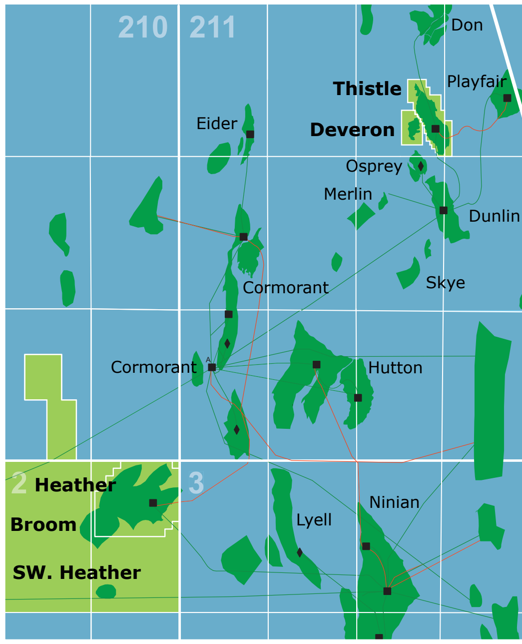
The Thistle and nearby Deveron field are produced via the Thistle platform, and have been on stream since the late 1970's. The fields are producing at an average rate of approximately 5,000 bopd at a high water cut. The fields have produced in excess of 390 mmbo and utilise artificial lift and water injection to maintain reservoir pressure and enhance production. Current activity is targeted at well workovers to maintain well integrity, maintenance of the surface facilities and ongoing cost reduction. Opportunities to extend the economic field life include infill well potential and upgrades to the process facilities which are currently under review. The abandonment liability for the platform, wells and related infrastructure remains with a previous licence holder.

The North Sea

The discovery and development of new accumulations near to existing fields is an important stage in the life of a mature hydrocarbon province.

New discoveries in the region of old fields benefit the business from two directions. Firstly, the new field, often too small to support a stand-alone development, benefits from the proximity of the host production facility. Secondly, the new field breathes new life into the existing infrastructure such that the older field can be produced for longer, thus adding to oil recovery and delaying abandonment. The Heather and Broom complex is a good example of this synergy. Heather is a very mature field with some 30 years of field life and alone is approaching the end of its economic life. The Broom field will extend this life and will provide substantial production and reserves of its own via a sub-sea tie-back to the host platform.





Lundin interest - production
Oil field
Oil pipeline
Gas pipeline

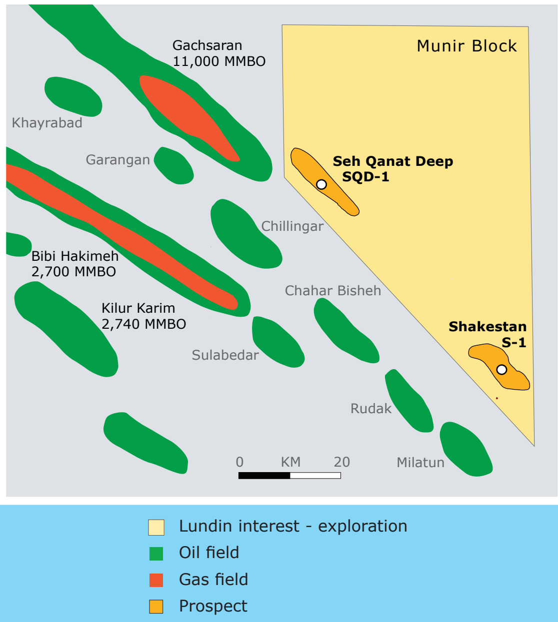
The Heather Field has been producing since the 1970's and has produced in excess of 120 mmbo. The field is now producing approximately 3,500 bopd and on a stand alone basis is approaching the economic limit of production. The Heather platform will act as the "host" facility for nearby sub-sea Broom field development that will offset the operating cost via a tariff arrangement, greatly extending the Heather field life. Current activity centres on facility upgrades to accommodate the Broom field production, on workovers and infill opportunities in the Heather field. Lundin Petroleum will have liability for 37.5 percent of abandonment costs with the balance being retained by previous licence holders.

Development

The Broom field is expected to come on stream in 2004. The field comprises two accumulations formerly designated West Heather and North Terrace and lies approximately 7 kilometres to the west of the Heather platform. Development activities are at an advanced stage for the West Heather accumulation. Following the installation of the sub-sea infrastructure the three pre-drilled West Heather producers will be sequentially completed and brought on stream. The field is expected to produce in excess of 20,000 bopd by the end 2004. The possible development of the North Terrace accumulation will be phased in to maximise the utilisation of the surface facilities on the Heather platform.

>>IRAN & SUDAN

Photo: Drilling Seh Qanat-1 Deep well, Munir Block, Iran



IRAN

Lundin Petroleum has a 30 percent non-operated interest in the Munir 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.

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.

Munir Block

During 2002 and the beginning of 2003 exploration activity focused mainly on a geophysical surveys consisting of an extensive 2D seismic program of 534 kilometres. Seismic and magnetotelluric results were integrated with geological and geochemical data which enabled the definition of two large drillable prospects for the anticipated drilling campaign.

The Seh Qanat and Shakestan prospects are major anticline structures with several stacked limestone reservoir targets between approximately 500 and 2,800 metres. A drilling contract was signed with National Iranian Drilling Company (NIDC) to drill the two prospects back-to-back. Following the preparation of the access road and drilling site, drilling of the Seh Qanat well commenced in the third quarter 2003. Seh Qanat prospect has potential reserves estimated in the range of 1-2 billion barrels. The prospect is located less than 20 kilometres east of the giant Gachsaran field whose reserves are over 10 billion barrels.

The access road and drill site of the Shakestan exploration well are under construction. This second prospect has potential reserves of 0.5-1 billion barrels. Drilling operations in Iran will continue during most of 2004.

SUDAN

Block 5B

The agreement covering Block 5B in which Lundin Petroleum has a 24.5 percent working interest was signed in 2001. Block 5B is operated jointly by Petronas Carigali and Sudapet.

Block 5B is located in the prolific Muglad Basin adjacent to Blocks 1, 2, 4 and 5A which contain reserves in excess of 1 billion barrels and has production of 300,000 bopd. Block 5B covers a major portion of the southern half of the basin. The block contains numerous large prospects and leads identified from earlier seismic acquired by Chevron. However as a result of the lack of security in the area operations on Block 5B have not yet commenced. Lundin Petroleum believes that the signing of a peace agreement in Sudan will act as a catalyst for the resumption of drilling operations in Block 5B which will allow these large prospects to be tested.

IRELAND

In November 2003 Lundin Petroleum agreed to acquire Island Petroleum Developments Ltd, a 100 percent owned DNO subsidiary. The acquisition completed in February 2004.

Production

Lundin Petroleum has a 12.5 percent interest in the Seven Heads gas field. The Seven Heads gas field came on stream in December 2003 with initial well performance below expectations. It now appears that the in-place gas volumes assumed in the development plan were over-estimated. Studies are currently ongoing regarding life of field production forecasts but Lundin Petroleum expects that recoverable reserves from the Seven Heads gas field will be significantly downgraded from the development plan.

Exploration

Oil was discovered in the deeper part of the Seven Heads structure. The main challenge for a successful development of this oil accumulation is the high wax content of the oil. Additional studies are planned for 2004.

The Rosscarbery licence area is situated north of Seven Heads and two small gas discoveries have already been made in this acreage. Further prospects exist in the licence area.

ALBANIA

Lundin Petroleum has reached an agreement with Preussag/OMV whereby exploration drilling on Block D will be suspended until the remaining well commitment is transferred to a new area in Albania. Such transfer will require various government approvals. The agreement with Preussag/OMV included a cash settlement payable to Lundin Petroleum and a carry of certain costs in any new venture with OMV in Albania. In parallel, Block E was relinquished and no further work is anticipated in the block.

Corporate Responsibility Commitment

As Lundin Petroleum continues to grow, both in size and operations, so do the challenges it faces. Yet whatever environment it finds itself in, the company aims to conduct its activities in the most economically efficient, socially responsible and environmentally acceptable way.

This objective was first formulated in Lundin Petroleum's Code of Conduct, which also sets out the company's values, responsibilities and the principles by which it is guided. The Code serves the dual purpose of setting standards of behaviour for company staff worldwide as well as informing the company's stakeholders as to the way it does business.

To reinforce the approach predicated in the Code, Lundin Petroleum has also adopted dedicated policies on health and safety, the environment and community development, areas it considers of chief concern in its daily activities.

In 2003 Lundin Petroleum's main Health, Safety and Environmental (HSE) focus has been on ensuring that its operations have systems in place to properly manage HSE issues. It issued a corporate HSE management system, the "Green Book", as well as corporate HSE goals, which are to be followed by all the Company's operations.

The Green Book reaffirms corporate management's commitment to HSE excellence and its leadership and responsibility role in HSE matters. Implementation of the HSE policies and corporate goals rests with local management. This flexible approach has been adopted in view of the variety of physical and regulatory environments faced by operations. A reporting requirement however exists in order to ensure that all operations fulfill the company's minimum requirement to comply with applicable legislation and its overall commitment to act as a responsible corporate citizen.

HEALTH AND SAFETY

Health and safety is of paramount importance to Lundin Petroleum. In Tunisia operations take place on a floating production, storage and offloading (FPSO) facility where health and safety issues are of particular concern. The Company's local management has addressed these issues in 2003 by commissioning an independent security assessment and an independent safety audit of the FPSO operations. It has also carried out a full revision of relevant manuals to bring them in line with Lundin Petroleum's corporate HSE requirements and offered HSE awareness and skills enhancement training to relevant staff. As a result of this concerted effort, Tunisian operations achieved a full 255 continuous accident free days (LTA) in 2003.

In the recently acquired UK operations, a gap analysis of the HSE system was undertaken in order to ensure that the new company operations met Lundin Petroleum's HSE requirements. This analysis determined that the respective systems were compatible and that some of the HSE know-how developed by the UK operations could be shared with other Lundin Petroleum operations worldwide.

Corporate Responsibility Activities in Non-operated Assets

In non-operated areas like Iran, Norway and Venezuela, Lundin Petroleum's main responsibility is to see that activities are conducted in accordance with its own HSE standards. Operators are requested to regularly report on HSE matters, to provide details of proposed initiatives or studies and to answer any HSE related request coming from partners.

ENVIRONMENT

Lundin Petroleum carries out environmental studies on a systematic basis in all its exploration and development areas in order to ensure that required measures are in place once operations begin. In mature areas, such as France, one of management's main concerns is to ensure that production sites that have been abandoned with the approval of relevant authorities are fully rehabilitated before they are sold/returned to their original owner. This usually implies site visits by the HSE staff and, in certain circumstances, further remediation activities. In 2003, a number of abandoned sites were thus rehabilitated and sold.

A copy of the Code of Conduct as well as other documents referred to in this section can be found at www.lundin-petroleum.com, under the heading Corporate Responsibility.

COMMUNITY DEVELOPMENT

Lundin Petroleum has current and planned activities in remote areas of Indonesia. In order to ensure that these activities do not disturb, but instead benefit local communities, the Company has a socialisation program in place. The program consists of visiting nearby communities before projected activities are launched, in order to adapt or modify plans as required. In order to ensure that the communities' goodwill is maintained, the Company honours its commitments rigorously and in timely way.

››SHARE INFORMATION

Lundin Petroleum's Share
Lundin Petroleum's shares are listed on the O-list at Stockholm Stock Exchange. The registered share capital at 31 December 2003 amounts to SEK 2,515,254.66 represented by 251,525,466 shares of nominal value SEK 0.01 each and representing 1 vote each. All outstanding shares are common shares and carry equal rights to participation in Lundin Petroleum's assets and earnings.

Warrants
The Group operates an employee incentive scheme whereby warrants are issued to employees following approval at the Annual General Meeting (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 42,149,401.00 and the number of shares will be diluted by 2.1 percent.

	2001 Program	2002 Program	2003 Program
Number of warrants initially issued	3,175,000	3,250,000	3,400,000
Strike price in SEK	3.37	4.50	10.10
Exercisable as from	1 May 2002	31 May 2003	31 May 2004
Expiry date	1 May 2004	31 May 2005	31 May 2006
Issued & outstanding warrants 31 December 2003	247,300	1,640,000	3,360,000

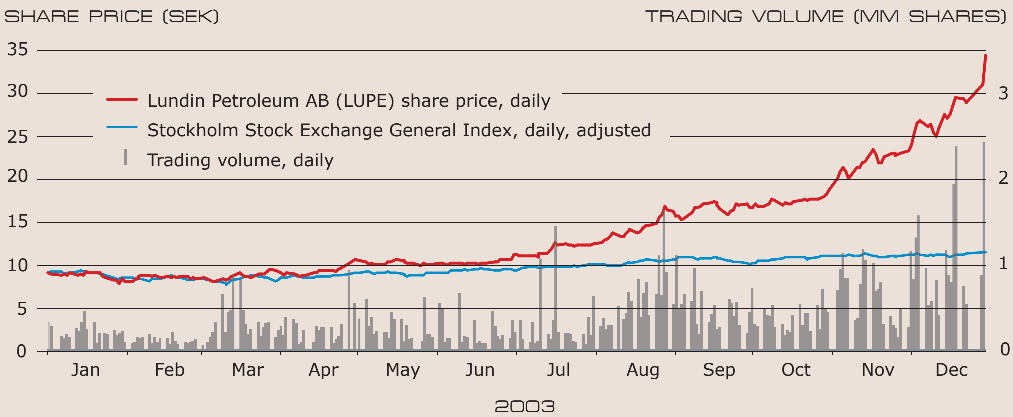
Dividend Policy
Lundin Petroleum's primary objective is to add value to the shareholders, employees and society through profitable operations and growth. The added value to shareholders will be expressed partly by dividends paid and partly by a long-term increase in the share price. This will be achieved 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 to maintain 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 projects, and to satisfy the immediate capital requirements of Lundin Petroleum.

The recent acquisition of DNO assets has provided Lundin Petroleum with major capital expenditure requirements, particularly in the United Kingdom and Norway over the next couple of years and it is therefore unlikely that a dividend will be payable during that period.



Share Data

Since the company was started in May 2000 and up to 31 December 2003 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
Incentive warrants	2003	0.01	2,075,850	250,760,866	2,507,608.66	3.37
Incentive warrants	2003	0.01	764,600	251,525,466	2,515,254.66	4.50
Total			**251,525,466**	**251,525,466**	**2,515,254.66**	

Share Ownership Structure

The 10 largest shareholders according to a report from VPC, 31 March 2004.

Shareholders as at 31 March 2004	Numbers of shares	Subscription capital/votes,%
Lorito Holdings Ltd.	71,435,168	28.4
Landor Participations Inc	15,407,456	6.2
Mourgue d'Algue et Cie	7,344,200	2.9
State Street Bank	4,178,000	1.7
Bertil Gylling	2,345,000	0.9
Pictet & Cie	1,871,685	0.7
Natexis Banque Popularies	1,765,800	0.7
Roburs Småbolagsfond	1,759,000	0.7
Skandia Liv	1,506,000	0.6
Deutsche Bank	1,284,100	0.5
Other Shareholders	142,881,257	56.7
Total	**251,777,666**	**100.0**

Distribution of Shareholdings

Distribution of shareholdings in Lundin Petroleum according to a report from VPC, 31 March 2004.

Size categories as at 31 March 2004	Numbers of shares	Percentage of shares, %	Numbers of shareholders	Percentage of shareholders, %
1-500	3,540,013	1.4	17,817	54.6
501-1,000	4,804,929	1.9	5,519	16.9
1,001-10,000	25,551,787	10.2	8,088	24.8
10,001-50,000	20,907,004	8.3	984	3.0
50,001-100,000	8,563,931	3.4	119	0.3
100,001-	188,410,002	74.8	125	0.4
Total	**251,777,666**	**100**	**32,652**	**100.0**

››BOARD OF DIRECTORS

On the steps from top to bottom: Lukas H. Lundin, Carl Bildt, Magnus Unger, C. Ashley Heppenstall.
Along the railings from right to left: Kai Hietarinta, William A. Rand, Ian H. Lundin (Adolf H. Lundin not in photo)

Photographs taken during the Board of Directors visit to FPSO Ikdam, Isis field offshore Tunisia, December 2003

BOARD OF DIRECTORS

Ian H. Lundin, Chairman, born 1960
Other board duties: Board member of Vostok Nafta Investment Ltd.
Bachelor of Science degree in Petroleum Engineering from the University of Tulsa.
Shares in Lundin Petroleum: nil[1]
Incentive warrants outstanding: 885,000

Adolf H. Lundin, Honorary Chairman, born 1932
Other board duties: North Atlantic Natural Resources AB, Vostok Nafta 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: nil[2]
Incentive warrants: nil

Carl Bildt, Director, born 1949
Other board duties: Chairman of KREAB and Teleoptimering AB, board member of HiQ AB, E. Öhman J:or AB, 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 and Valkyries Petroleum Corp.
Bachelor of Science degree in Mathematics from the University of Durham.
Shares in Lundin Petroleum: 1,143,250
Incentive warrants outstanding: 1,050,000

Magnus Unger, Director, born 1942
Other board duties: Chairman of the Odin Group, Mimer International Invest AB and Cal-Konsult AB, board member of PayNova AB.
MBA from the Stockholm School of Economics.
Shares in Lundin Petroleum: 100,000
Incentive warrants outstanding:156,200

[1] *Landor Participations Inc. holds 15,407,456 shares in Lundin Petroleum.*
Landor Participations Inc. is an investment wholly owned by a trust whose settler is Ian H. Lundin.
[2] *Lorito Holdings Ltd. holds 71,435,168 shares in Lundin Petroleum.*
Lorito Holdings Ltd. is an investment company wholly owned by a trust whose settler is Adolf H. Lundin

Kai Hietarinta, Director, born 1932
Other board duties: Board member Vostok Nafta 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., Canadian Gold Hunter Ltd., International Uranium Corp., Tenke Mining Corp. and Valkyries Petroleum Corp. Board member of North Atlantic Natural Resources AB, Vostok Nafta Investment Ltd. and Atacama Minerals Corp.
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: South Atlantic Ventures Ltd., International Uranium Corp., Tenke Mining Corp., Vostok Nafta Investment Ltd., Devon Ventures Corp. and Dome Venture Corp.
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

CORPORATE GOVERNANCE

Lundin Petroleum's Rules of Procedure for the Board are based on Swedish legislation and Stockholmbörsen's (the Stockholm Stock Exchange) rules for financial information.

Composition of the Board

In 2003 the Lundin Petroleum board was composed of eight directors elected by the General Meeting. The CEO is a director of the Board.

The Work of the Board

The Board of Directors normally holds at least four ordinary meetings per calendar year. At each of these meetings, the following matters are addressed:

- The CEO's Report regarding:
  - Status of the business
  - Prospects
  - Economic report
  - Financial report
- Reports from the Committees of the Board of Directors
- Business related decisions
- Miscellaneous Company issues

The Board had eight meetings during 2003 inclusive of the statutory meeting.

COMPENSATION COMMITTEE

Members: William A. Rand (Chairman), Lukas H. Lundin, Kai Hietarinta and Magnus Unger

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 encourages and motivates 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 on financial matters to the Management of the Company. The Finance Committee shall receive information on the Company's performance, 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.

GOVERNANCE AND NOMINATION COMMITTEE

Members: Ian H. Lundin (Chairman), Magus Unger, Kai Hietarinta

The function of the Governance and Nomination Committee is to oversee the Board's adherence to its own corporate governance principles and to identify nominees qualified to become board members. The Governance and Nomination Committee shall be specifically responsible for monitoring the performance of the Board and each director. If necessary, the Committee may make recommendations to the Board with regards to the make up of the Board in order to ensure that the Board continues to perform its duties and obligations as required.

For remunerations refer to page 63; Directors' Remunerations

>>MANAGEMENT AND AUDITORS

Lundin Petroleum Management

Standing, left to right:
Jeffrey Fountain, Geoffrey Turbott, Christine Batruch, Andrew Harber

Sitting, left to right:
Alexandre Schneiter, C. Ashley Heppenstall, Marco Zanella

MANAGEMENT

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

Alexandre Schneiter
Born 1962
Executive Vice President and Chief Operating Officer
Shares in Lundin Petroleum: 50,000
Incentive warrants outstanding: 670,000

Geoffrey Turbott
Born 1963
Vice President Finance and Chief Financial Officer
Shares in Lundin Petroleum: 2,000
Incentive warrants outstanding: 125,000

Christine Batruch
Born 1959
Vice President Corporate Responsibility
Shares in Lundin Petroleum: 2,000
Incentive warrants outstanding: 134,450

Andrew Harber
Born 1956
Vice President Corporate Services
Shares in Lundin Petroleum: 2,000
Incentive warrants outstanding: 125,000

Jeffrey Fountain
Born 1969
Vice President Legal
Shares in Lundin Petroleum: nil
Incentive warrants outstanding: 45,000

Marco Zanella
Born 1955
Vice President Exploration and New Ventures
Shares in Lundin Petroleum: nil
Incentive warrants: nil

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

Financial year ended 31 December	2003	2002
Return on equity, % [1]	67	-2
Return on capital employed, % [2]	50	-3
Debt/equity ratio, % [3]	–	89
Equity ratio, % [4]	69	34
Share of risk capital, % [5]	78	44
Interest coverage ratio, % [6]	1,559	-342
Operating cash flow/interest ratio [7]	1,011	822
Yield [8]	–	–
Shareholders' equity SEK per share [9]	7.38	3.70
Operating cash flow SEK per share [10]	2.52	0.49
Cash flow from operations SEK per share [11]	0.98	1.09
Earnings SEK per share [12]	3.73	-0.07
Earnings SEK per share fully diluted [13]	3.71	-0.07
Dividend per share	–	–
Quoted price at the end of the financial year (regards the parent company), SEK	34.30	9.20
Number of shares at year end	251,525,466	248,685,016
Weighted average number of shares for the year [14]	249,401,389	232,150,181
Weighted average number of shares for the year (fully diluted) [14]	251,041,951	233,235,711

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.

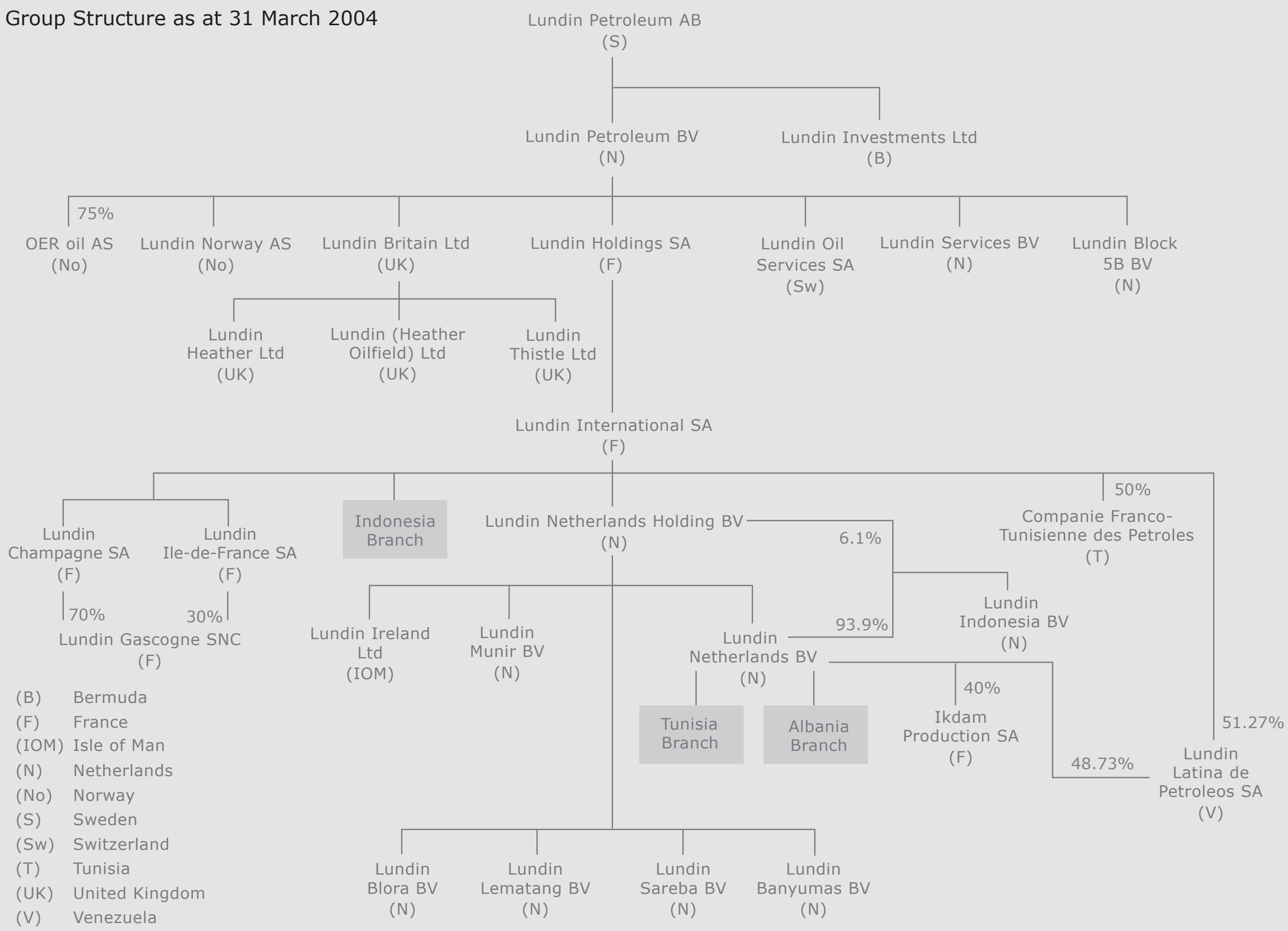
11 Cash flow from operations SEK per share is defined as cash flow from operations in accordance with the consolidated statement of cash flow divided by the weighted average number of shares for the year.

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 31 March 2004



(B) Bermuda
(F) France
(IOM) Isle of Man
(N) Netherlands
(No) Norway
(S) Sweden
(Sw) Switzerland
(T) Tunisia
(UK) United Kingdom
(V) Venezuela

Note: the Group structure shows significant subsidiaries only

The Board of Directors and the Managing Director of Lundin Petroleum AB hereby present the annual report for the financial year 1 January 2003 – 31 December 2003.

FORMATION

Lundin Petroleum AB was formed in connection with the SEK 4 billion take-over of Lundin Oil AB by Talisman Energy Inc. during 2001. As a result of the transaction Lundin Oil AB shareholders received SEK 36.5 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 administered by Stockholmbörsen. On 2 October 2003 the shares in Lundin Petroleum AB were listed on the O-list of the Stockholmbörsen.

On 19 September 2002 the Company completed the acquisition of 95.3 percent of the outstanding shares of Lundin International SA (formerly Coparex International SA) from BNP Paribas. On 13 January 2003 the Company completed the acquisition of 75.8 percent of OER oil AS. OER oil AS subsequently acquired interests in two producing fields offshore Norway and a 100 percent interest in OER energy AS (formerly called Aker Energy AS).

On 13 February 2004, Lundin Petroleum completed the acquisition from DNO ASA of its UK and Irish oil and gas interests.

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 of increasing reserves through a strategy of acquisitions and exploration, reserves were acquired during 2002 through the acquisition of Lundin International SA (formerly Coparex International SA). Further reserves were acquired during 2003 in Norway through OER oil AS. At 31 December 2003, Lundin Petroleum had signed a sale and purchase agreement for the purchase of all of the UK and Irish interests and substantially all of the Norwegian assets of DNO ASA. Lundin Petroleum maintains a portfolio of oil and gas production assets and development projects in various countries with exposure to further exploration opportunities.

Iran
Lundin Petroleum has an interest in the Munir Block, onshore Iran. A 537 kilometres 2D seismic program was completed in January 2003 following which the data was processed and interpreted. Seismic interpretation results have identified several drillable prospects, including two large four way dip structures on which two wells are being drilled back to back. The first well (Seh Qanat deep prospect) spudded in November 2003 and drilling operations are currently ongoing. The two prospects have the potential to contain combined recoverable reserves in excess of one billion barrels.

Sudan
In June 2003, the Company sold its interest in Block 5A Sudan. Block 5B is located just south of Block 5A and on trend with existing discoveries in the Muglad Basin. Technical studies are ongoing and several large prospects have already been identified. The peace negotiations in Sudan continue and upon a positive conclusion, operations in Block 5B will commence.

France
Overall production in France was in line with expectations during 2003.

In the Paris Basin a new development well was successfully completed on the Merisier field adding incremental production. Further development of the Merisier field will involve the drilling of more development wells in 2004.

In the Aquitaine Basin the Les Pins-5 development well was successfully drilled and completed in the third quarter of 2003. The well has now been tied-back to the existing facilities and a submersible pump has been installed to enhance productivity of the well. An exploration well on the South Mimosa prospect plus one development well on the Courbey field will be drilled during 2004.

The Netherlands
The production in the Netherlands during 2003 was below budget due to reduced off-take by the state controlled buyer Gasunie. During the fourth quarter production increased closer to budget estimates. Lundin Petroleum has been advised by government representatives that the reduced off-take is temporary and that demand will be restored to production capacity in line with Dutch "small fields" policy where Gasunie purchase gas production from smaller fields on a preferential basis.

Other activities including development drilling to enhance production are ongoing.

Tunisia
Field optimisation on the Isis field continues and 2003 production was above budget. Production for the fourth quarter 2003 was below budget due to a mechanical problem on one of the Isis wells which has subsequently been repaired.

The development plan for the Oudna field, offshore Tunisia, was completed during the fourth quarter of 2003 and submitted to the Tunisian government for approval.

Indonesia
Banyumas (Java): A new 490 kilometres seismic programme was completed during the year. Several prospects have been identified.

Blora (Java): Preparations are underway for the drilling of the PADI-1 exploration well. It is anticipated that the well will spud during the third quarter of 2004. The prospect has potential reserves in excess of 50 mmboe.

Lematang (South Sumatra): Negotiations continue in relation to the completion of a gas sales agreement which will enable the development of the Singa gas discovery. A Memorandum of Understanding (MOU) and Heads of Agreement were signed in December 2003 providing a solid base for the negotiation and completion of a gas sales agreement. In parallel, preparations are ongoing for the drilling of the Banteng prospect which is expected to commence in the second quarter of 2004. The Banteng prospect has potential reserves estimated at in excess of 500 bcf of gas. Lundin Petroleum has a 15.88 percent interest having acquired an additional 0.88 percent interest in the fourth quarter 2003.

Salawati Island & Basin (Papua): a 12 well infill development well programme in Salawati Basin and further development drilling in Salawati Island (Matoa field) is ongoing. Interpretation of the newly acquired 3D seismic (on Salawati Island) is almost complete. The acquisition of 3D seismic on Salawati Basin commenced during the first half 2004. Exploration drilling on Salawati Basin and Island is planned for 2004.

Venezuela
The La Palma-8 and 9 development wells have now been completed and successfully tied-back to the existing facilities. Overall gross oil production from the Colón Block is now at the capacity of 20,000 bopd. Further development drilling on the La Palma field will resume during the second quarter of 2004.

In November 2002, Lundin Petroleum commenced arbitration proceedings against one of its partners. We refer to Note 9 in the Financial Statements for more information.

Albania
An agreement was reached with Preussag/OMV whereby the partners agreed to seek approval to transfer the remaining well commitment on Block D to a new area in Albania. Block E has been relinquished.

Norway
Overall production in Norway was in line with expectations during 2003. Lundin Petroleum announced the acquisition of Aker Energy AS through its 75 percent owned subsidiary OER oil AS. Aker Energy owns an interest in an undeveloped Norwegian discovery as well as various tax assets. The acquisition was completed prior to year end upon receipt of government approval. Aker Energy AS has changed its name to OER energy AS.

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

ENVIRONMENT
Lundin Petroleum and its international exploration and production affiliates conduct their international exploration and production operations, at a minimum, in accordance with all applicable environmental procedures and programs. 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, consists of eight members. No deputy directors have been appointed. There are no members appointed by employee organisations. The CEO is a member of the Board. Eight board meetings were held during the year inclusive of 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 and one committee to monitor the Board itself. 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, an audit committee to review and approve financial statements prior to presentation to the full Board and a governance and nomination committee to oversee the Boards adherence to its own corporate governance principles.

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 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 on 23 May 2003 all serving Directors were re-elected with the exception of Alex Schneiter who did not offer himself for re-election. During 2003, Ian H. Lundin ceased his executive management role. There have been no further changes to the management of the Company during 2003. On 1 January 2004 Jeffrey Fountain was appointed Vice President Legal. In March 2004 Marco Zanella joined the Company and was appointed Vice President Exploration and New Ventures.

FINANCIAL STATEMENTS
The results for the consolidated financial statements of Lundin Petroleum AB are presented for the year ended 31 December 2003. Lundin Petroleum acquired Lundin International SA (formerly Coparex International SA) and subsidiaries on 19 September 2002. The results of these companies are included in the consolidated results only from the date of acquisition, and hence the comparative figures of these companies are included only for a 103 day period.

OPERATING RESULTS
(Numbers in parentheses represent the comparative period)

The Group
Lundin Petroleum reports a profit for the year ended 31 December 2003 of MSEK 930.2 (MSEK -16.6) and an operating cashflow of MSEK 634.6 (MSEK 115.1).

Net sales of oil and gas for the year ended 31 December 2003 amounted to MSEK 1,082.1 (MSEK 284.9). Production for the year ended 31 December 2003 amounted to 5,790,546 barrels of oil equivalent (boe) representing 16,062 boe per day. The average price achieved for a barrel of oil equivalent for the year ended 31 December 2003 amounted to USD 27.35.

The sales for the year ended 31 December 2003 were comprised as follows:

Sales Average price per barrel given in USD	**1 Jan 2003– 31 Dec 2003 12 months**	1 Jan 2002– 31 Dec 2002 12 months
France		
- Quantity in boe	1,436,709	448,953
- Average price per boe	27.71	25.93
Tunisia		
- Quantity in boe	723,976	155,746
- Average price per boe	28.12	26.54
Indonesia		
- Quantity in boe	727,139	272,768
- Average price per boe	27.57	27.23
Netherlands		
- Quantity in boe	864,687	305,545
- Average price per boe	24.87	19.93
Norway		
- Quantity in boe	690,466	–
- Average price per boe	28.69	–
Total		
- Quantity in boe	**4,442,977**	1,183,012
- Average price per boe	**27.35**	24.76

The income from Venezuela is not included in the above table because the crude production from the Colón Block is not sold but income is generated from an operating fee. The fee earned for 2003 amounted to MSEK 102.2 (MSEK 21.7) following the delivery of 817,859 boe (185,021 boe). An additional part of the fee is for interest on unrecovered capital expenditure which amounted to MSEK 3.7 (MSEK 1.7) and is included in the financial statements within interest income.

Lundin Petroleum had entered in an oil price hedge for 2003 fixing the oil price at USD 24.23 for 2,250 bopd. The average Dated Brent price for the year ended 31 December 2003 amounted to USD 28.95 resulting in a pre-tax negative hedge settlement of MSEK 30.5.

Other operating income for the year ended 31 December 2003 amounted to MSEK 38.4 (MSEK 10.9). This amount includes service income from the operated joint venture in Sudan of MSEK 0.8 (MSEK 2.0) and the recovery of past exploration costs in Tunisia of MSEK 19.6 (MSEK 1.3). Other income also includes tariff income and income for maintaining strategic inventory levels in France.

The production for the year ended 31 December 2003 was comprised as follows:

Production	**1 Jan 2003– 31 Dec 2003 12 months**	1 Jan 2002– 31 Dec 2002 12 months
France		
- Quantity in boe	1,517,749	451,801
- Quantity in boepd	4,158	4,386
Tunisia		
- Quantity in boe	851,023	265,272
- Quantity in boepd	2,332	2,591
Indonesia		
- Quantity in boe	902,338	240,707
- Quantity in boepd	2,472	2,334
Netherlands		
- Quantity in boe	871,994	305,545
- Quantity in boepd	2,389	2,966
Norway		
- Quantity in boe	778,012	–
- Quantity in boepd	2,329	–
Venezuela		
- Quantity in boe	869,430	178,548
- Quantity in boepd	2,382	1,733
Total		
- Quantity in boe	**5,790,546**	1,441,873
- Quantity in boepd	**16,062**	14,010

Production costs for the year ended 31 December 2003 amounted to MSEK 419.9 (MSEK 149.0). Costs of operations amounted to MSEK 320.1 (MSEK 116.1) for the year ended 31 December 2003. Tariff expenses amounted to MSEK 83.1 (MSEK 5.1) for the year ended 31 December 2003. Royalty and production taxes are direct cash taxes levied on production. The charge for royalty and direct taxes amounted to MSEK 26.0 (MSEK 8.2) for the year ended 31 December 2003. Changes in inventory position relate to the movement of inventories of hydrocarbons and operational supplies. The change in inventory position amounted to a release to the production costs of MSEK 9.2 (MSEK -19.7) for the year ended 31 December 2003.

Production costs for the year ended 31 December 2003 expressed in US dollars were comprised as follows:

Production cost and depletion in TUSD	**1 Jan 2003– 31 Dec 2003 12 months**	1 Jan 2002– 31 Dec 2002 12 months
Cost of operations	39,309	12,762
Tariff and transportation expenses	10,276	559
Royalty and direct taxes	3,511	897
Changes in inventory/overlift	-1,143	2,167
Total production costs	**51,953**	16,385
Depletion	23,755	5,892
Total	**75,708**	22,277

Cost per boe given in USD	**1 Jan 2003– 31 Dec 2003 12 months**	1 Jan 2002– 31 Dec 2002 12 months
Cost of operations	6.79	8.85
Tariff and transportation expenses	1.77	0.39
Royalty and direct taxes	0.61	0.62
Changes in inventory/overlift	-0.20	1.50
Total production costs	**8.97**	11.36
Depletion	4.10	4.09
Total cost per boe	**13.07**	15.45

In June 2003, Lundin Petroleum sold its interest in Sudan Block 5A to Petronas Carigali Overseas Sdn Bhd for MSEK 1,184 resulting in a profit of MSEK 720.1 after deducting exchange losses of MSEK 100.4. The exchange losses recorded relate to the translation to SEK of the USD loans to the single purpose subsidiary that held the Sudan Block 5A asset to fund the exploration expenditure and were repaid upon the sale of the asset.

Other income for the year ended 31 December 2003 amounted to MSEK 7.2 (MSEK 10.2) and represents fees and costs recovered by Lundin Petroleum from third parties.

General and administrative expenses for the year ended 31 December 2003 amounted to MSEK 164.9 (MSEK 76.0). Included within general and administration expenses are restructuring costs incurred in the first quarter of 2003 of MSEK 16.3 related specifically to the redundancy costs associated with the closure of the Paris office. This amount is in addition to the MSEK 20.3 incurred during the last quarter of 2002. There were other non-recurring costs incurred during the first half of 2003 associated with the acquisition of Coparex amounting to MSEK 12.1. These costs included the personnel and office costs of the Paris office until its closure in June 2003 and certain fees associated with the reorganisation of the Group structure.

Net financial income and expenses for the year ended 31 December 2003 amounted to MSEK -50.5 (MSEK 1.8). Interest income for the year ended 31 December 2003 amounted to MSEK 11.4 (MSEK 10.7) which partially offset the interest expense for the year ended 31 December 2003 amounting to MSEK 25.6 (MSEK 14.0). The cost of the interest rate hedge for the year ended 31 December 2003 amounted to MSEK 37.2 (MSEK nil). At the time of the Coparex acquisition, Lundin Petroleum entered into a four year interest rate swap to fix the interest rate associated with borrowings taken out to fund the acquisition. Following the repayment and cancellation of the credit facility on the sale of Sudan Block 5A it was necessary to revalue the interest rate swap and provide for any diminution in value. As such, a charge has been recorded at 31 December 2003 of MSEK 18.6.

The amortisation of loan fees amounted to MSEK 15.9 (MSEK 0.6) for the year ended 31 December 2003. This amortisation represents the expensing of the entire fees capitalised in respect of the loan facility following the repayment of the loan facility in the second quarter of 2003.

Exchange gains and losses, net, for the year ended 31 December 2003 amounted to MSEK 11.4 (MSEK -0.2). The exchange gains in the first two quarters of 2003 relate primarily to the gains on the revaluation of the USD loan facility into the EUR reporting currency of the entities in which the funds are drawn offset by losses on the revaluation of USD bank balances and receivables into their underlying Euro or SEK reporting currencies. The USD loan facility was repaid at the end of the second quarter resulting in no further such exchange gains to offset the exchange losses. The exchange losses for the third and fourth quarters of 2003 and for the comparative period primarily relates to the exchange effect of USD held by the Parent Company.

The tax charge for the year ended 31 December 2003 amounted to MSEK 79.9 (MSEK 26.4). The tax charge comprises current corporation tax of MSEK 45.7 (MSEK 29.6), a deferred tax charge of MSEK 19.8 (MSEK -5.3), petroleum taxes payable of MSEK 20.3 (MSEK 2.1) and a release of deferred petroleum taxes of MSEK 5.9 (MSEK nil). Following the acquisition of OER energy AS (formerly called Aker Energy AS) and the subsequent utilisation of the tax losses that were transferred from that company, no current corporation tax was charged to the result in Norway. The utilisation of the tax losses was reflected in the deferred tax charge by the release of the deferred tax liability arising on the difference between the booked value of the oil and gas assets and the tax value. A revision in estimate for site restoration provision has resulted in a release of the deferred petroleum tax liability of MSEK 5.9 (MSEK nil).

INVESTMENTS AND FINANCIAL CONDITION

Tangible fixed assets

Tangible fixed assets as at 31 December 2003 amounted to MSEK 1,873.0 (MSEK 2,045.6). The book value of oil and gas properties as at 31 December 2003 amounted to MSEK 1,817.6 (MSEK 1,988.9). The Group invested MSEK 285.8 (MSEK 160.8) in oil and gas properties during the year ended 31 December 2003. Investments in production cost pools during the year ended 31 December 2003 amounted to MSEK 206.4 (MSEK 38.5) and MSEK 79.4 (MSEK 122.3) in relation to non-production cost pools. The analysis of cost pools by country is detailed in Note 9 to the Financial Statements.

The book value of office equipment and other fixed assets as at 31 December 2003 amounted to MSEK 55.4 (MSEK 56.7). During the year the finance lease on the office in Paris was cancelled and the property was purchased with effect 30 June 2003.

Financial fixed assets

Financial fixed assets as at 31 December 2003 amounted to MSEK 134.0 (MSEK 103.6). Included in financial fixed assets as at 31 December 2003 is an amount of MSEK 56.6 (MSEK 54.2) recorded as restricted cash. This amount comprises MSEK 17.8 (MSEK nil) or MNOK 16.5 representing cash deposited as security for future site restoration costs for fields held offshore Norway and two amounts totaling MSEK 38.8 (MSEK 54.2) representing cash collateralisation of bank guarantees to cover future joint venture work commitments in Sudan and Iran. Shares in associated companies of MSEK 21.3 (MSEK 21.5) relates primarily to an investment in a company owning gas infrastructure in The Netherlands. Deferred financing fees amounted to MSEK nil (MSEK 15.9) as at 31 December 2003. The deferred financing fees related to the term loan and revolving credit facility which were being amortised over the period of the loan. Following the repayment of the loan during the second quarter of 2003 the balance of the loan fees was expensed. A deferred tax asset of MSEK 48.0 (MSEK nil) has been recorded as at 31 December 2003 for tax losses acquired through the purchase of OER energy AS. Other financial fixed assets amount to MSEK 8.1 (MSEK 11.9) and represent a loan to an associated company and funds held by joint venture partners in anticipation of future expenditures.

Current receivables and inventories

Current receivables and inventories amounted to MSEK 392.8 (MSEK 335.7) as at 31 December 2003. Inventories, including hydrocarbons and consumable well supplies amounted to MSEK 71.7 (MSEK 45.6) as at 31 December 2003. Trade receivables amounted to MSEK 131.2 (MSEK 118.1) as at 31 December 2003. Joint venture debtors amounted to MSEK 73.0 (MSEK 69.0). Other current assets include taxation balances of MSEK 80.4 (MSEK 50.0).

Cash and bank

Cash and bank as at 31 December 2003 amounted to MSEK 301.6 (MSEK 247.8). Cash balances remained relatively constant during 2003.

Minority interest

Minority interest amounts to MSEK 20.0 (MSEK 2.5) as at 31 December 2003. The minority interest as at 31 December 2003 represents the portion of fully consolidated subsidiaries not owned by Lundin Petroleum. Lundin Petroleum owns 75.8 percent of OER oil AS and 99.8 percent of Lundin International SA.

Provisions

As at 31 December 2003, provisions amounted to MSEK 377.5 (MSEK 326.1). This amount includes a provision for site restoration of MSEK 110.6 (MSEK 58.4) and a provision for deferred tax of MSEK 242.0 (MSEK 261.7). The increase in provisions for site restoration from 31 December 2002 is primarily due to the acquisition of the Norwegian assets. Lundin Petroleum entered into a four year interest rate swap to reduce the financial risk of rising interest rates. Following the repayment and cancellation of the credit facility accounting rules make it necessary to record the market value of the potential cost under the swap. A provision has been recorded at 31 December 2003 of MSEK 18.5 to recognise this potential cost.

LONG TERM LIABILITIES

Long term liabilities as at 31 December 2003 amounted to MSEK 0.1 (MSEK 1,067.2). Lundin Petroleum entered into a seven-year term and revolving credit facility agreement to borrow up to MUSD 130 (MSEK 1,137) during 2002. An amount of MUSD 122.7 (MSEK 1,072.6) was drawn under this facility on the acquisition of Lundin International SA. An amount of MUSD 2.1 (MSEK 18.3) was repaid on 31 December 2002 and the facility was repaid in full during June 2003. The lease on the Paris property was cancelled and the property was purchased with effect 30 June 2003.

CURRENT LIABILITIES

Current liabilities as at 31 December amounted to MSEK 449.6 (MSEK 415.5). Included within current liabilities are other current liabilities for an amount of MSEK 262.2 (MSEK 163.8), which contain an amount of MSEK 146.5 (MSEK 109.4) for acquisition liabilities including an accrual for the outstanding consideration for the acquisition of Lundin International SA relating to the portion of the original acquisition price dependent upon the performance of certain offshore Tunisian assets of MSEK 52.1 (MSEK 109.4) and the balance outstanding for the acquisition of OER energy AS (formerly Aker Energy AS) of MSEK 86.7 (MSEK nil).

LIQUIDITY

As at 31 December 2003 the Group's available cash position amounted to MSEK 301.6 (MSEK 247.8) with a further amount of cash of MSEK 56.6 (MSEK 54.2) held as collateral for bank guarantees to cover exploration work commitments and future site restoration costs.

The Group is contractually committed under various concession agreements to complete various exploration work programs. Management estimate that the total commitment under these agreements is approximately MSEK 452.5

of which third parties who are joint venture partners have contractually agreed to contribute approximately MSEK 323.4, resulting in the Group's share amounting to MSEK 129.1. Of this amount, it is estimated that MSEK 24.4 will be fulfilled during 2004.

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 percent pa. for a period of four years. The USD borrowings were repaid during the second quarter of 2003 but the interest rate hedging contracts continue to remain in place.

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

From 1 January 2003 to 31 December 2003, the Group has entered into oil price hedging contracts of 2,250 bopd (being approximately 15 percent 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 further discussed more fully in Note 9 of the Notes to the financial statements.

ADAPTION TO IFRS
For 2003, the Annual Report has already been adapted to the International Financial Reporting Standards (IFRS) to the extent that all of the recommendations issued by the Swedish Financial Accounting Standards Council, which have been enforced, have been applied. Preparations have commenced for full implementation of the remaining IFRS recommendations in 2005. It is assessed that the effects of implementing the IFRS recommendations will pertain mainly to financial instruments.

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 150.1 (MSEK 80.9) for the year ended 31 December 2003. The loss comprised administrative expenses of MSEK -71.3 (MSEK -55.6) and net financial income and expenses of MSEK -80.4 (MSEK -29.4). Financial income included a gain of MSEK 12.9 recorded on the contribution at market value of the shares of Lundin Holdings BV to Lundin Petroleum BV and interest income of MSEK 27.3 (MSEK 10.3) derived from loans to subsidiary companies. Financial expenses included an amount of MSEK 120.3 (MSEK 50.3) being net exchange losses. The losses for 2003 principally arise upon the revaluation of loans to subsidiaries for the funding of their operations that have been realised during the second quarter of 2003. The losses for 2002 relate principally to the revaluation of USD currency held by the Parent Company. No deferred tax asset has been recorded against the losses incurred by the Parent Company because of uncertainty as to the timing of their utilisation.

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

TREATMENT OF RESULT
The Group's unrestricted equity amounts to TSEK 870,305. 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 150,147 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, statement of changes in equity and related notes. The Annual General Meeting will be held in Stockholm on 19 May 2004.

Stockholm, 14 April 2004

Ian H. Lundin Chairman of the Board	**C. Ashley Heppenstall** President & CEO
Adolf H. Lundin Honorary Chairman	**Carl Bildt**
Lukas H. Lundin	**Kai Hietarinta**
William A. Rand	**Magnus Unger**

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

TSEK	Note	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002
Operating income					
Net sales of oil and gas		1,082,136	284,905	–	–
Other income		38,369	10,939	1,119	3,710
	1	**1,120,505**	295,844	**1,119**	3,710
Cost of sales					
Production costs	2	-419,911	-149,038	–	–
Depletion of oil and gas properties	9	-192,002	-53,591	–	–
Write-off of oil and gas properties	3,9	-2,395	–	–	–
		-614,308	-202,629	**–**	–
Gross profit	1	**506,197**	93,215	**1,119**	3,710
Gain on sale of Sudan Block 5A		720,098	–	–	–
Other income		7,161	10,247	396	405
General, administration and depreciation	4,10	-148,684	-75,970	-71,302	-55,627
Restructuring costs	23	-16,263	-20,275	–	–
		-157,786	-85,998	**-70,906**	-55,222
Operating profit/(loss)		**1,068,509**	7,217	**-69,787**	-51,512
Result from financial investments					
Interest and other financial income	5	34,822	19,974	40,221	20,970
Interest and other financial expenses	6	-85,348	-18,158	-120,581	-50,362
		-50,526	1,816	**-80,360**	-29,392
Profit/(loss) before tax and minority interest		**1,017,983**	9,033	**-150,147**	-80,904
Corporation tax	7	-65,468	-24,259	–	–
Petroleum tax	7	-14,413	-2,103	–	–
		-79,881	-26,362	–	–
Minority interest	8	-7,873	765	–	–
NET RESULT		**930,229**	-16,564	**-150,147**	-80,904
Earnings SEK per share		**3.73**	-0.07	**-0.60**	-0.35
Earnings SEK per share fully diluted		**3.71**	-0.07	**-0.60**	-0.35

››BALANCE SHEET

CONSOLIDATED AND PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

TSEK	Note	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002
ASSETS					
Tangible fixed assets					
Oil and gas properties	9	1,817,606	1,988,933	–	–
Office equipment and other assets	10	55,356	56,656	95	49
		1,872,962	2,045,589	**95**	49
Financial fixed assets					
Shares in subsidiaries	11	–	–	184,491	171,008
Shares and participations	12	21,328	21,535	–	–
Long term receivables	13	–	–	570,372	796,301
Restricted cash	14	56,585	54,176	–	–
Deferred financing fees		–	15,926	–	–
Deferred tax asset	15	47,983	–	–	–
Other financial fixed assets	16	8,122	11,949	–	–
		134,018	103,586	**754,863**	967,309
Current assets					
Inventories	17	71,666	45,562	–	–
Trade receivables		131,188	118,067	75	134
Prepaid expenses and accrued income		2,828	9,777	472	773
Current receivables	18	189,972	172,074	11,808	955
Cash and bank		301,589	247,776	112,609	2,081
		697,243	593,256	**124,964**	3,943
TOTAL ASSETS		**2,704,223**	2,742,431	**879,922**	971,301
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Restricted equity					
Share capital		2,515	2,487	2,515	2,487
Restricted reserves/Share premium reserve		984,112	930,524	958,297	1,028,792
Unrestricted equity					
Retained earnings		-59,924	14,665	–	–
Net result		930,229	-16,564	-150,147	-80,904
		1,856,932	931,112	**810,665**	950,375
Minority interest	8	**20,036**	2,525	**–**	–
Provisions					
Site restoration	19	110,643	58,411	–	–
Deferred tax	7	241,967	261,668	–	–
Other provisions	20	24,895	6,051	–	–
		377,505	326,130	**–**	–
Long-term liabilities					
Bank loans	21	–	1,054,350	–	–
Finance lease	22	–	12,680	–	–
Other long-term liabilities		118	147	–	–
		118	1,067,177	**–**	–
Current liabilities					
Finance lease	22	–	9,186	–	–
Trade payables		71,640	85,851	3,310	2,166
Liabilities to Group companies		–	–	62,607	17,077
Current tax liability	7	29,329	92,530	–	–
Accrued expenses and prepaid income	23	86,439	64,143	3,028	1,556
Other current liabilities	24	262,224	163,777	312	127
		449,632	415,487	**69,257**	20,926
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		**2,704,223**	2,742,431	**879,922**	971,301
Pledged assets	25	–	247,779	–	247,779
Contingent liabilities	26	11,669	12,618	11,619	12,618

CONSOLIDATED AND PARENT COMPANY STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

TSEK	Note	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002
Cash flow from/used in operations					
Net result		**930,229**	-16,564	**-150,147**	-80,904
Adjustments for					
Other provisions		19,705	3,445	–	–
Write-off of oil and gas properties	3	2,395	–	–	–
Depletion, depreciation and amortisation	9, 10	197,126	57,462	39	24
Amortisation of deferred financing fees	6	15,915	582	–	–
Other non-cash items	27	19,143	-3,562	–	–
Unrealised exchange gains		-33,977	48,427	19,485	48,427
Gain on sale asset/investments		-720,098	–	-12,899	–
Minority interest	8	7,873	-765	–	–
Changes in working capital					
Increase/decrease in current receivables		-50,299	133,717	-10,492	677
Decrease/increase in current liabilities		-141,354	30,378	20,997	14,525
Total cash flow from/used in operations		**246,658**	253,120	**-133,017**	-17,251
Cash flow from/used for investments					
Investment in shares in subsidiaries and participations	11, 28	-10,864	-1,213,010	-585	-170,908
Sale of other shares		–	181,205	–	181,205
Sale of assets/investments		1,150,802	–	–	
Sale of loan note		–	13,640	–	13,640
Change in other financial fixed assets		158	-36,016	253,264	-310,726
Investment in oil and gas properties	9	-285,808	-160,836	–	–
Investment in office equipment and other assets	10	-13,267	-10,128	-85	-18
Total cash flow from/used for investments		**841,021**	-1,225,145	**252,594**	-286,807
Cash flow from/used for financing					
Decrease/increase in other long-term liabilities		-21,852	857,092	–	–
Paid deferred financing fees		–	-17,774	–	–
Repayment of long term loan	21	-1,000,957	-20,287	–	–
Proceeds from share issue		10,437	160,240	10,437	160,240
Other financing activities		–	-4,102	–	–
Total cash flow from/used for financing		**-1,012,372**	975,169	**10,437**	160,240
Change in cash and bank		75,307	3,144	130,014	-143,818
Cash and bank at the beginning of the year		247,776	301,519	2,081	193,683
Currency exchange difference in cash and bank		-21,494	-56,887	-19,486	-47,784
Cash and bank at the end of the year		**301,589**	247,776	**112,609**	2,081

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

»STATEMENT OF CHANGES IN EQUITY

Shareholders' equity comprises:

Group 2003	Share Capital	Restricted reserves	Retained earnings	Net result	Total
Balance at 1 January	2,487	930,524	14,665	-16,564	931,112
Transfer of prior year net result	–	–	-16,564	16,564	–
Currency translation difference	–	43,179	-58,025	–	-14,846
New share issue	28	10,409	–	–	10,437
Net result	–	–	–	930,229	930,229
Balance at 31 December	**2,515**	**984,112**	**-59,924**	**930,229**	**1,856,932**

Parent company 2003	Share Capital	Share premium reserve	Legal reserve	Net result	Total
Balance at 1 January	2,487	1,028,792	–	-80,904	950,375
Transfer of prior year net result	–	-80,904	–	80,904	–
New share issue	28	10,409	–	–	10,437
Net result	–	–	–	-150,147	-150,147
Balance at 31 December	**2,515**	**958,297**	**–**	**-150,147**	**810,665**

Lundin Petroleum's registered share capital at 31 December 2003 amounts to SEK 2,515,254.66 (2002 - SEK 2,484,491.66) represented by 251,525,466 (2002 – 248,449,166) shares of nominal value SEK 0.01 each and representing 1 vote each. All outstanding shares are common shares and carry equal rights to participation in Lundin Petroleum's assets and earnings.

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. New accounting recommendations that came into force in 2003 have been taken into consideration but had no effect on the income statements or balance sheets.

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.

Translation differences on long term intercompany loans, used for financing exploration activities, 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.

c) Petroleum tax

Petroleum tax payable is provided on taxable profits at the current tax rate.

Other 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	9.1226	9.0800
1 USD equals SEK	8.0826	7.2236

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, licenses 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 reservoirs 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-licensees 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 provision 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 2003	Group Year ended 31 December 2002	Parent Company Year ended 31 December 2003	Parent Company Year ended 31 December 2002
Operating income				
Net sales of:				
Crude oil				
- France	317,704	104,970	–	–
- Tunisia	168,567	35,962	–	–
- Indonesia	163,132	70,770	–	–
- Norway	161,600	–	–	–
Condensate				
- Netherlands	8,348	873	–	–
- Norway	3,238	–	–	–
Gas				
- Netherlands	173,435	58,679	–	–
- Indonesia	909	335	–	–
- Norway	3,449	–	–	–
Operating fee				
- Venezuela	102,205	21,667	–	–
Oil price hedging settlement	-30,488	–	–	–
Change in underlift position	10,037	-8,351	–	–
	1,082,136	284,905	**–**	–
Other income				
- France	8,986	7,202	–	–
- Tunisia	19,631	1,716	–	–
- Netherlands	8,900	–	–	–
- Sudan	852	2,021	–	–
- Other	–	–	1,119	3,710
	38,369	10,939	**1,119**	3,710
Total operating income	**1,120,505**	295,844	**1,119**	3,710
Gross profit				
- France	120,173	47,570	–	–
- Netherlands	87,351	32,872	–	–
- Tunisia	83,975	-7,287	–	–
- Indonesia	57,580	16,150	–	–
- Sudan	852	2,021	–	–
- Norway	97,694	–	–	–
- Venezuela	60,964	2,190	–	–
- Other	-2,392	-301	1,119	3,710
	506,197	93,215	**1,119**	3,710

Group average crude sales price and depletion cost	Year ended 31 December 2003 SEK	Year ended 31 December 2003 USD	Year ended 31 December 2002 SEK	Year ended 31 December 2002 USD
Average crude sales price, per barrel or boe				
- France	223.97	27.71	235.86	25.93
- Netherlands	201.01	24.87	181.29	19.93
- Tunisia	227.28	28.12	241.41	26.54
- Indonesia	222.84	27.57	247.69	27.23
- Norway	231.89	28.69	–	–
Combined	**221.06**	27.35	**225.22**	24.76
Average depletion cost, per barrel or boe				
- France	38.68	4.79	44.51	4.89
- Netherlands	66.74	8.26	65.42	7.19
- Tunisia	24.53	3.03	24.41	2.68
- Indonesia	12.04	1.49	11.17	1.23
- Norway	31.47	3.89	–	–
- Venezuela	21.71	2.69	24.26	2.67
Combined	**33.16**	4.10	**37.17**	4.09

NOTE 2 – PRODUCTION COSTS (TSEK)

Production costs comprise:	Group Year ended 31 December 2003	Group Year ended 31 December 2002	Parent Company Year ended 31 December 2003	Parent Company Year ended 31 December 2002
Cost of operations	320,141	116,079	–	–
Tariff expenses	83,057	5,084	–	–
Direct production taxes	25,955	8,162	–	–
Change in lifting position	28,709	15,379	–	–
Inventory movement – hydrocarbons	-38,963	722	–	–
Inventory movement – well supplies	1,012	3,612	–	–
	419,911	149,038	**–**	–

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

Oil and gas properties written off were as follows:	Group Year ended 31 December 2003	Group Year ended 31 December 2002	Parent Company Year ended 31 December 2003	Parent Company Year ended 31 December 2002
Other - project appraisal	2,395	–	–	–
	2,395	–	**–**	–

NOTE 4 – GENERAL, ADMINISTRATION AND DEPRECIATION (TSEK)

Remuneration to the Group's auditors for	Group Year ended 31 December 2003	Group Year ended 31 December 2002	Parent Company Year ended 31 December 2003	Parent Company Year ended 31 December 2002
Audit fees				
- PricewaterhouseCoopers	3,978	821	1,813	366
- Deloitte & Touche	1,989	1,410	–	–
- Other	190	–	–	–
	6,157	2,231	**1,813**	366
Other				
- PricewaterhouseCoopers	1,075	279	381	250
- KPMG	228	–	–	–
- Other	218	–	–	–
	1,521	279	**381**	250
Total	**7,678**	2,510	**2,194**	616

NOTE 5 – INTEREST AND OTHER FINANCIAL INCOME (TSEK)

Interest and other financial income comprise:	Group Year ended 31 December 2003	Group Year ended 31 December 2002	Parent Company Year ended 31 December 2003	Parent Company Year ended 31 December 2002
Interest income	11,374	10,711	27,322	10,285
Dividends received	11,040	9,079	–	–
Foreign exchange gain, net	11,361	–	–	–
Gain on sale of subsidiary	–	–	12,899	10,685
Other financial income	1,047	184	–	–
	34,822	19,974	**40,221**	20,970

Included in interest income for the Parent Company is an amount of TSEK 26,716 (2002 – TSEK 6,185) received from Group companies.

NOTE 5 (continued)
The gain on sale of subsidiary in the Parent Company of TSEK 12,899 (2002 – TSEK 10,685) arose from the sale of a directly owned subsidiary company to an indirectly owned subsidiary company as part of a Group restructuring following the acquisition of Lundin International SA (formerly Coparex International SA).

NOTE 6 – INTEREST AND OTHER FINANCIAL EXPENSES (TSEK)

Interest and other financial expenses comprise:	Group Year ended 31 December 2003	Group Year ended 31 December 2002	Parent Company Year ended 31 December 2003	Parent Company Year ended 31 December 2002
Loan interest expenses	44,208	14,013	252	16
Potential cost under interest swap	18,574	–	–	–
Unwind site restoration discount	5,255	1,746	–	–
Foreign exchange loss, net	–	210	120,329	50,346
Amortisation of deferred financing fees	15,915	582	–	–
Other	1,396	1,607	–	–
	85,348	18,158	**120,581**	50,362

NOTE 7 – TAXES (TSEK)

The tax charge comprises:		Group Year ended 31 December 2003	Group Year ended 31 December 2002	Parent Company Year ended 31 December 2003	Parent Company Year ended 31 December 2002
Corporation tax					
-current	- France	-848	15,833	–	–
	- Netherlands	13,631	2,073	–	–
	- Indonesia	11,907	7,031	–	–
	- Norway	–	–	–	–
	- Venezuela	19,860	3,647	–	–
	- Switzerland	1,108	984	–	–
		45,658	29,568	**–**	–
-deferred	- France	-9,834	-1,652	–	–
	- Netherlands	-2,394	-4,703	–	–
	- Indonesia	2,126	946	–	–
	- Norway	29,501	–	–	–
	- Venezuela	411	100	–	–
		19,810	-5,309	**–**	–
		65,468	24,259	**–**	–
Petroleum tax					
-current	- Netherlands	20,335	2,103	–	–
-deferred	- Netherlands	-5,922	–	–	–
		14,413	2,103	**–**	–
Total charge to income		**79,881**	26,362	**–**	–

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:

	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002
Profit before tax	1,017,983	9,033	-150,147	-80,904
Tax calculated at the corporate tax rate in Sweden (28%)	-285,035	-2,529	42,041	22,653
Effect of foreign tax rates	-100,854	-10,017	–	–
Tax effect of expenses non-deductible for tax purposes	-6,497	-1,547	–	-879
Tax effect of capitalised costs	46,586	13,164	–	–
Tax effect of deduction for petroleum tax	6,992	736	–	–
Tax effect of income not subject to tax	289,287	–	3,612	2,992
Tax effect of utilisation of unrecorded tax losses	29,706	700	–	–
Tax effect of creation of unrecorded tax losses	-45,653	-24,766	-45,653	-24,766
	-65,468	-24,259	**–**	–

France	31 December 2003	31 December 2002
The current tax liability comprises:		
Corporation tax	37	25,544
Total, current	**37**	25,544
The deferred tax liability comprises:		
Corporation tax on		
-Excess of book value over tax value of oil and gas properties	86,196	84,680
Total, deferred	**86,196**	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 indefinitely.

Netherlands	31 December 2003	31 December 2002
The current tax liability comprises:		
Corporation tax	-31,881	9,655
Petroleum tax	47,994	44,751
Total, current	**16,113**	54,406
The deferred tax liability comprises:		
Corporation tax on		
-Excess of book value over tax value of oil and gas properties	141,352	132,951
	141,352	132,951
Deferred Petroleum tax	15,104	45,292
Total, deferred	**156,456**	178,243

Venezuela	31 December 2003	31 December 2002
The current tax liability comprises:		
Corporation tax	11,071	8,353
Total, current	**11,071**	8,353
The deferred tax liability comprises:		
Corporation tax on		
-Excess of book value over tax value of oil and gas properties	-3,849	-1,493
Total, deferred	**-3,849**	-1,493

Indonesia	31 December 2003	31 December 2002
The current tax liability comprises:		
Corporation tax	2,108	4,227
Total, current	**2,108**	4,227
The deferred tax liability comprises:		
Corporation tax on		
-Excess of book value over tax value of oil and gas properties	3,164	238
Total, deferred	**3,164**	238

Sweden

The Group has Swedish tax loss carry forwards, including tax losses in the current financial year, of MSEK 290.1 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 due to the uncertainty as to the timing and the extent of their utilisation.

NOTE 8 – MINORITY INTEREST (TSEK)

Minority interest	Group Year ended 31 December 2003	Group Year ended 31 December 2002	Parent Company Year ended 31 December 2003	Parent Company Year ended 31 December 2002
Opening balance	2,525	–	–	–
Acquisition (Note 28)	9,786	3,276	–	–
Share of net result	7,873	-765	–	–
Currency translation difference	-148	14	–	–
Closing balance	**20,036**	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 licenses in an exploration or development stage.

	Group 31 December 2003	Group 31 December 2002	Parent Company 31 December 2003	Parent Company 31 December 2002
Production cost pools	1,696,784	1,570,409	–	–
Non-production cost pools	120,822	418,524	–	–
	1,817,606	1,988,933	**–**	–

2003	Group						
Production cost pools	France	Netherlands	Tunisia	Indonesia	Norway	Venezuela	Total
Cost							
1 January	884,538	543,120	67,755	22,828	–	106,184	1,624,425
Acquired on consolidation	-102,722	-14,883	8,867	–	–	128,632	19,894
Acquired on acquisition	–	–	–	–	155,735	–	155,735
Additions – Production/development	87,358	32,802	4,682	39,325	25,989	16,270	206,426
Reclassification	–	–	–	–	–	–	–
Currency translation difference	-18,434	-5,532	-772	-10,139	-21,686	-10,866	-67,429
31 December 2003	850,740	555,507	80,532	52,014	160,038	240,220	1,939,051
Depletion							
1 January	-20,272	-20,142	-6,525	-2,713	–	-4,364	-54,016
Depletion charge for the year	-60,673	-58,196	-20,875	-8,896	-24,481	-18,881	-192,002
Currency translation difference	470	465	158	489	1,305	864	3,751
31 December 2003	-80,475	-77,873	-27,242	-11,120	-23,176	-22,381	-242,267
Net book amount as at 31 December	**770,265**	**477,634**	**53,290**	**40,894**	**136,862**	**217,839**	**1,696,784**

2002	Group						
Production cost pools	France	Netherlands	Tunisia	Indonesia	Norway	Venezuela	Total
Cost							
1 January	–	–	–	–	–	–	–
Acquired on consolidation	–	–	–	–	–	–	–
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
Write off	–	–	–	–	–	-2,395	-2,395
Currency translation difference	6,969	4,603	-9,874	2,892	–	-7,573	-2,983
31 December 2002	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 2002	-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

2003 **Non-production cost pools**	1 January	Acquired on consolidation	Additions	Write-offs	Sales	Currency translation difference	31 December
Group							
Indonesia	–		21,696	–	–	-2,361	**19,335**
Albania	802	15,609	4,598	–	-19,598	-1,411	**–**
Iran	44,765	–	35,546	–	–	-546	**79,765**
Sudan	372,790	–	13,886	–	-343,282	-22,937	**20,457**
Other	167	–	3,656	-2,395	–	-163	**1,265**
	418,524	15,609	79,382	-2,395	-362,880	-27,418	**120,822**

2002 **Non-production cost pools**	1 January	Acquired on consolidation	Additions	Write-offs	Sales	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

Acquired on acquisition includes the values assigned to the oil and gas properties acquired through the purchase of the shares in OER oil AS during 2003. Acquired on consolidation includes adjustments to the values assigned to the oil and gas properties acquired through the purchase of shares in Lundin International SA (formerly Coparex International SA) during 2002.

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 programs. The Directors estimate the present commitments to be no more than MSEK 452.5 of which third parties who are joint venture partners have contractually agreed to contribute approximately MSEK 323.4.

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 successfully pursue its exploration, appraisal and development plans as well as on its production of oil and gas.

- Nature of oil and gas exploration and production. Oil and gas exploration, development and production involves high operational and financial risks, which even a combination of experience, knowledge and careful evaluation may not be able to eliminate or which are beyond the Company's control. In addition, there is no assurance that commercial quantities of oil and gas will be recovered.
- Property and/or 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 damage. Exploration, development and production of oil and gas could cause serious danger to the environment. Under applicable laws and regulations as well as exploration and production sharing agreements, the Company may be held liable.
- Liabilities and obligations under exploration and production agreements. The Company and its partners in joint ventures for oil and gas exploration and production, are joint and several liable for obligations and liabilities under relating agreements. In case joint venture partners are not able to meet their liabilities and obligations, the agreement may be terminated.

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 to a third party, Lundin Petroleum exercised its pre-emptive rights under the Colón Unit joint operating agreement to announce its intention to acquire those interests. Lundin Petroleum's rights were disregarded and the interests were sold to the third party. Lundin Petroleum is seeking a decision from the arbitrators that Lundin Petroleum be entitled to acquire these interests in accordance

with its pre-emptive rights. Such decision would entitle Lundin Petroleum to acquire an additional 43.75% interest in the Colón Unit for a cash consideration of MUSD 45.0, as adjusted from an effective date of 1 July 2002. CMS Oil and Gas (Venezuela) LDC has counter-claimed that Lundin Petroleum's 12.5% interest in the Colón Unit should have been offered to the other Colón Unit partners on the same terms and conditions as acquired by Lundin Petroleum in connection with the purchase of the shares of Lundin International SA (formerly Coparex International SA). The arbitrators' decision is expected to be made during the second quarter of 2004.

NOTE 10 – OFFICE EQUIPMENT AND OTHER ASSETS (TSEK)

	2003			2002		
Office equipment & other assets comprise the following:	Real estate	Office equipment and other assets	Total	Real estate	Office equipment and other assets	Total
Group						
Cost						
1 January	45,843	18,470	64,313	–	11,293	11,293
Acquired on consolidation	-6,659	–	-6,659	–	–	–
Acquired on acquisition	–	–	–	45,500	–	45,500
Additions	2,855	10,412	13,267	–	10,128	10,128
Write-off	–	-830	-830	–	-60	-60
Currency translation difference	-425	-4,047	-4,472	343	-2,891	-2,548
31 December	41,614	24,005	65,619	45,843	18,470	64,313
Depreciation						
1 January	-761	-6,896	-7,657	–	-5,039	-5,039
Acquired on consolidation	–	–	–	–	–	–
Depreciation charge for the year	–	-4,294	-4,294	-755	-3,117	-3,872
Write-off	–	–	–	–	50	50
Currency translation difference	7	1,681	1,688	-6	1,210	1,204
31 December	-754	-9,509	-10,263	-761	-6,896	-7,657
Net book amount as at 31 December	**40,860**	**14,496**	**55,356**	45,082	11,574	56,656
Parent company						
Cost						
1 January	–	73	73	–	55	55
Additions	–	85	85	–	18	18
31 December	–	158	158	–	73	73
Depreciation						
1 January	–	-24	-24	–	–	–
Depreciation charge for the year	–	-39	-39	–	-24	-24
31 December	–	-63	-63	–	-24	-24
Net book amount as at 31 December	**–**	**95**	**95**	–	49	49

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 acquisition 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. Changes in this assignment during 2003 have been included in acquired on consolidation.

NOTE 11 – SHARES IN SUBSIDIARIES (TSEK)

	Registration number	Registered office	Number of shares	Percentage	Nominal value per share	Parent Company Book amount 31 December 2003	Parent Company Book amount 31 December 2002
Group							
Directly owned							
Lundin Energy AB	556619-2299	Stockholm, Sweden	10,000,000	100	SEK 0.01	100	100
Lundin Investments Limited	EC-14476	Hamilton, Bermuda	12,000	100	USD 1.00	585	–
Lundin Petroleum B.V.	BV 1216140	The Hague, Netherlands	180	100	EUR 100.00	183,806	168
Lundin Holdings B.V.	BV 1207750	The Hague, Netherlands	181	100	EUR 100.00	–	170,740
						184,491	171,008
Indirectly owned							
Lundin Sudan BV	BV 1225619	The Hague, Netherlands	180	100	EUR 100.00	–	–
- Lundin Sudan Limited	EC-15676	Hamilton, Bermuda	12,000	100	USD 1.00	–	–
Lundin Block 5B BV	BV 1225618	The Hague, Netherlands	180	100	EUR 100.00	–	–
- Lundin Sudan (Block 5B) Limited	EC-30543	Hamilton, Bermuda	12,000	100	USD 1.00	–	–
OER oil AS	934 651 758	Oslo, Norway	4,043,126	75.80	NOK 1.00	–	–
- OER energy AS	980 485 625	Oslo, Norway	1,646,002	100	NOK 100.00	–	–
Lundin Norway AS	986 209 409	Oslo, Norway	10,000	100	NOK 100.00	–	–
Lundin Oil Services SA	1731/1999	Geneva, Switzerland	1,000	100	CHF 100.00	–	–
Lundin Services B.V.	BV 1229867	The Hague, Netherlands	180	100	EUR 100.00		
- Lundin Petroleum Holdings Limited	EC-29120	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 Holdings SA	Nanterre B442423448	Montmirail, France	1,853,700	100	EUR 10.00	–	–
- Lundin International SA	Nanterre B572199164	Montmirail, France	1,660,662	99.83	EUR 15.00	–	–
- Lundin Champagne SA	Nanterre B72204300	Montmirail, France	250,000	100	EUR 15.24	–	–
- Lundin Ile-de-France SA	Nanterre B319712873	Montmirail, 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	Montmirail, France	100	100	EUR 152.45	–	–
- Lundin Netherlands Holding 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 Munir B.V.	BV 1225617	The Hague, Netherlands	180	100	EUR 100.00	–	–
- Lundin Munir Limited	EC-29955	Hamilton, Bermuda	12,000	100	USD 1.00	–	–
- Lundin Lematang B.V.	BV 547.158	The Hague, Netherlands	40	100	EUR 450.00	–	–
- Lundin Oil & Gas B.V.	BV 547.156	The Hague, Netherlands	40	100	EUR 450.00	–	–
- Lundin Blora B.V	BV 561.660	The Hague, Netherlands	40	100	EUR 450.00	–	–
- Lundin Sareba B.V.	BV 608.284	The Hague, Netherlands	40	100	EUR 450.00	–	–
- Lundin South Sokang B.V.	BV 614.572	The Hague, Netherlands	40	100	EUR 450.00	–	–
- 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	–	–
						–	–
						184,491	171,008

Shares in subsidiaries	Parent Company 2003	Parent Company 2002
Opening balance	171,008	485,674
- capital contribution	183,638	–
- acquisitions	585	170,908
- return of capital contribution	–	-485,517
- transfer/sale of subsidiaries	-170,740	-57
Closing balance	**184,491**	171,008

NOTE 12 – SHARES AND PARTICIPATIONS (TSEK)

Shares and participations comprise:	Number of shares	Share %	Book amount 31 December 2003	Book amount 31 December 2002
Group				
Associated companies				
- Compagnie Franco-Tunisienne Des Petroles	10,000	50.00	–	–
- Ikdam Production SA	1,600	40.00	–	–
Other shares and participations				
- Noordelijke Aardgas Transportmij B.V.	11,098,015	1.81	18,505	18,685
- Cofraland B.V	31	7.75	2,746	2,772
- Aargas Verkoopmij Leeuwarden	–	7.23	15	15
- L4 Witte Water B.V.	1,519	4.34	6	6
- Witte Water B.V.	3,840	3.84	16	16
- F15A Group B.V	254	2.54	5	5
- F15D Groep B.V.	254	2.54	4	4
- K4a/K5b (Groep) B.V.	101,500	2.03	4	4
- Maison de la géologie	2	1.25	27	28
			21,328	21,535

NOTE 13 – LONG TERM RECEIVABLES (TSEK)

Long term receivables comprise:	Group 31 December 2003	Group 31 December 2002	Parent Company 31 December 2003	Parent Company 31 December 2002
Long term receivable due from subsidiaries	–	–	570,372	796,301
	–	–	**570,372**	796,301

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

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 was 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 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.

A further MNOK 16.5 was deposited as security for future site restoration costs for fields held offshore Norway.

NOTE 15 – DEFERRED TAX ASSET (TSEK)

With the acquisition of OER energy AS (formerly Aker Energy AS) a deferred tax asset was acquired for an amount of TSEK 136,921 or TNOK 126,880. After utilisation against the taxable income in Norway, a deferred tax asset for an amount of TSEK 47,983 or TNOK 44,464 remains as at 31 December 2003.

NOTE 16 – OTHER FINANCIAL FIXED ASSETS (TSEK)

This item mainly relates to a loan to an associated company for an amount of TSEK 3,069 (TSEK 6,409) and funds held by joint venture partners in anticipation of future expenditures for an amount of TSEK 3,877 (TSEK 3,493).

NOTE 17 – INVENTORIES (TSEK)

Inventories comprise:	Group 31 December 2003	Group 31 December 2002	Parent Company 31 December 2003	Parent Company 31 December 2002
Hydrocarbon stocks	52,727	12,839	–	–
Drilling equipment and consumable materials	18,939	32,723	–	–
	71,666	45,562	**–**	–

NOTE 18 – CURRENT RECEIVABLES (TSEK)

Current receivables comprise:	Group 31 December 2003	Group 31 December 2002	Parent Company 31 December 2003	Parent Company 31 December 2002
Underlift	12,883	4,309	–	–
Joint Venture debtors	72,964	69,031	–	–
Due from Group companies	–	–	10,625	337
Deposits	–	37,407	–	–
Tax instalments paid	69,118	42,258	–	–
VAT recoverables	11,284	7,785	1,139	–
Other	23,723	11,284	44	618
	189,972	172,074	**11,808**	955

NOTE 19 – PROVISIONS – SITE RESTORATION (TSEK)

Provisions comprise:	Group 31 December 2003	Group 31 December 2002	Parent Company 31 December 2003	Parent Company 31 December 2002
Site restoration				
Opening balance	58,411	–	–	–
Acquired on consolidation	-5,680	–	–	–
Acquired on acquisition	54,488	56,375	–	–
Unwinding of discount (Note 6)	5,255	1,746	–	–
Currency translation difference	-1,831	290	–	–
	110,643	58,411	**–**	–

NOTE 20 – OTHER PROVISIONS (TSEK)

Provisions comprise:	Termination Indemnity Provision	Other	Total
Opening balance 1 January 2003	3,484	2,567	6,051
Additions	1,128	18,574	19,702
Currency translation difference	-738	-120	-858
	3,874	**21,021**	**24,895**

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.

Lundin Petroleum entered into a four year interest rate swap to reduce the financial risk of rising interest rates. Following the repayment and cancellation of the credit facility, accounting rules make it necessary to record the market value of the potential cost under the swap. A provision has been recorded at 31 December 2003 of MSEK 18.5 to recognise this potential cost and has been included in "Other provisions".

NOTE 21 – BANK LOANS (TSEK)

Bank loans comprise:	Group 31 December 2003	Group 31 December 2002	Parent Company 31 December 2003	Parent Company 31 December 2002
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 at 31 December 2002 included amounts of TSEK 1,054,350 (MUSD 120.6) due under a credit facility of MUSD 130 secured by a pledge over the shares in certain companies in the Group. The amounts outstanding carried an interest of LIBOR plus 1.75%. During 2003, the entire outstanding amount has been repaid in full.

NOTE 22 – FINANCE LEASE (TSEK)

As at 31 December 2002 leased assets included in office equipment and other assets (Note 10), where the Group was a lessee under a finance lease, comprise Real Estate. During 2003, the lease on the real estate was cancelled and the property was purchased with effect 30 June 2003.

	Group 31 December 2003	Group 31 December 2002
Real Estate		
Booked value capitalised finance leases	–	45,843
Accumulated depreciation	–	-761
	–	45,082

Finance lease – minimum lease payments:	Group 31 December 2003	Group 31 December 2002	Parent Company 31 December 2003	Parent Company 31 December 2002
Current:				
Payment within 1 year	–	9,186	–	–
Long-term:				
Payment within 1–2 years	–	9,187	–	–
Payment within 2–5 years	–	3,493	–	–
	–	21,866	**–**	–

NOTE 23 – ACCRUED EXPENSES (TSEK)

Accrued expenses comprise:	Group 31 December 2003	Group 31 December 2002	Parent Company 31 December 2003	Parent Company 31 December 2002
Holiday pay	3,839	5,299	48	42
Joint venture costs	19,048	1,142	–	–
Operating cost	28,988	29,744	–	–
General and administrative costs	1,970	3,330	–	–
Social security charges	1,687	1,058	227	40
Salaries and wages	8,155	419	35	60
Interest rate hedge	10,233	–	–	–
Restructuring cost	–	20,275	–	–
Other	12,519	2,876	2,718	1,414
	86,439	64,143	**3,028**	1,556

2002
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).

2003
In 2003 a further TSEK 16,263 was incurred related specifically to the redundancy costs associated with the closure of the Paris office.

NOTE 24 – OTHER CURRENT LIABILITIES (TSEK)

Other current liabilities comprise:	Group 31 December 2003	Group 31 December 2002	Parent Company 31 December 2003	Parent Company 31 December 2002
Overlift	23,237	22,164	–	–
Short term liability	15,550	–	–	–
Accrual for acquisition price (Note 26)	146,465	109,362	–	–
Joint Venture creditors	61,491	17,587	–	–
VAT payable	4,449	4,639	–	–
Social charges payable	3,466	3,649	–	–
Other	7,566	6,376	312	127
	262,224	163,777	**312**	127

NOTE 25 – PLEDGED ASSETS

During 2002, the Group had entered into a MUSD 130 term and revolving credit facility under which an amount of MUSD 120.6 was outstanding as at 31 December 2002. This facility was 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. Following the repayment of the loan, the pledge was released during 2003.

The amount stated for pledged assets of TSEK 247,779 as at 31 December 2002, represents the net asset book values of the pledged companies.

NOTE 26 – CONTINGENT LIABILITIES

During 2002 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 depending upon the performance of certain Tunisian assets. The liability to pay the deferred consideration continues up to 31 December 2005. An amount of TSEK 52,128 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 accrued.

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 2003.

NOTE 27 – CASH FLOW ANALYSIS – OTHER NON CASH ITEMS (TSEK)

	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002
Deferred tax	13,888	-5,308	–	–
Site restoration discount	5,255	1,746	–	–
	19,143	-3,562	**–**	–

NOTE 28 – CASH FLOW ANALYSIS - INVESTMENTS IN SHARES IN SUBSIDIARIES AND PARTICIPATIONS (TSEK)

	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002
Oil and gas assets	155,735	1,588,887	–	–
Other fixed assets	–	45,500	–	–
Financial fixed assets	77,709	25,271	–	–
Other current assets	–	1,004,039	–	–
Provisions	-54,465	-323,569	–	–
Long term liabilities	–	-233,042	–	–
Current liabilities	-158,329	-232,650	–	–
Minority interest	-9,786	-3,276	–	–
Shares in subsidiary	–	–	585	170,908
Purchase price	10,864	1,871,160	585	170,908
Cash in acquired company	–	-548,779	–	–
Amounts outstanding on purchase price	–	-109,371	–	–
Effect on cash flow	**10,864**	1,213,010	**585**	170,908

2003
The values shown in the table represent the values assigned to the assets and liabilities of OER oil AS as at the date of acquisition by Lundin Petroleum for the purposes of consolidating into the Group accounts of Lundin Petroleum AB.

2002
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 acquisition by Lundin Petroleum for the purposes of consolidating into the Group accounts of Lundin Petroleum AB.

NOTE 29 – RELATED PARTY TRANSACTIONS

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

The Group paid TSEK 355 (2002 – TSEK 346) 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 Mr Lukas H. Lundin directly.

The Group received TSEK 1,249 (2002 – TSEK 4,924) 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, Mr Adolf H. Lundin has significant investment within this company.

The Group received TSEK - (2002 – TSEK 1,148) from Lundin SA for the provision of services. Lundin SA is owned by Mr Adolf H. Lundin.

NOTE 30 – AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS (TSEK)

	2003		2002	
Average number of employees	Total employees	of which men	Total employees	of which men
Parent company				
Sweden	2	–	3	1
Total parent company	**2**	–	3	1
Subsidiary companies in Sweden	–	–	–	–
Subsidiary foreign companies				
France	57	42	71	52
Switzerland	31	21	22	17
Netherlands	7	5	3	2
Norway	13	11	–	–
Sudan	–	–	52	48
Indonesia	24	18	22	16
Tunisia	9	6	8	5
Albania	3	2	1	1
Total subsidiary companies	**144**	**105**	179	141
Total Group	**146**	**105**	182	142

For the Group, a total of 15 persons held senior management and board positions (2002: 16 persons and 2001: 9 persons). One woman is included in these positions in 2003 and 2002 and none in 2001.

	2003		2002	
Salaries, other remuneration and social security costs	Salaries and other remuneration	Social security costs	Salaries and other remuneration	Social security costs
Parent company				
Sweden	1,680	552	1,606	505
Total parent company	**1,680**	**552**	1,606	505
Subsidiary companies in Sweden	–	–	–	–
Subsidiary foreign companies				
France	22,925	12,826	9,342	4,448
Switzerland	36,527	2,462	34,458	5,360
Netherlands	2,748	128	427	70
Sudan	–	–	20,678	619
Norway	9,191	1,353	–	–
Indonesia	4,068	474	1,541	75
Tunisia	6,096	616	1,343	165
Albania	2,061	23	233	7
Total subsidiary companies	**83,616**	**17,882**	68,022	10,744
Total Group	**85,296**	**18,434**	69,628	11,249
of which pension costs	2,561	–	2,643	–

Salaries, other remuneration per country split between the Board of Directors and other employees	2003 Board of Directors and MD	2003 Other employees	2002 Board of Directors and MD	2002 Other employees
Parent company				
Sweden	1,050	630	1,050	556
Total parent company	**1,050**	**630**	1,050	556
Subsidiary companies in Sweden	–	–	–	–
Subsidiary foreign companies				
France	–	22,925	–	9,342
Switzerland	9,926	26,601	9,201	25,257
Netherlands	1,325	1,423	317	110
Sudan	–	–	2,731	17,947
Norway	2,364	6,827	–	–
Indonesia	1,265	2,804	421	1,120
Tunisia	2,792	3,303	175	1,168
Albania	920	1,141	–	233
Total subsidiaries	**18,592**	**65,024**	12,845	55,177
Total Group	**19,642**	**65,654**	13,895	55,733

NOTE 31 – RESERVE QUANTITY INFORMATION (UNAUDITED)

Proved and probable oil reserves	Total Oil MBBL	France Oil MBBL	Netherlands Oil MBBL	Tunisia Oil MBBL	Norway Oil MBBL	Venezuela Oil MBBL	Indonesia Oil MBBL	Sudan Oil MBBL
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
2003								
Changes during the year								
- acquisitions	5,510	–	–	–	5,510	–	–	–
- sales	-60,200	–	–	–	–	–	–	-60,200
- revisions	9,517	3,680	22	90	–	791	4,934	–
- extensions and discoveries	3,788	–	–	3,788	–	–	–	–
- production	-4,887	-1,518	-5	-851	-742	-869	-902	–
	-46,272	2,162	17	3,027	4,768	-78	4,032	-60,200
31 December 2003	**56,616**	**26,006**	**42**	**6,218**	**4,768**	**8,180**	**11,402**	**–**

Proved and probable gas reserves	Total Gas MMSCF	France Gas MMSCF	Netherlands Gas MMSCF	Tunisia Gas MMSCF	Norway Gas MMSCF	Venezuela Gas MMSCF	Indonesia Gas MMSCF	Sudan Gas MMSCF
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	–
2003								
Changes during the year								
- acquisitions	12,787	–	–	–	12,787	–	–	–
- sales	–	–	–	–	–	–	–	–
- revisions	2,557	–	-548	–	–	2,587	518	–
- extensions and discoveries	1,644	–	–	–	–	–	1,644	–
- production	-6,065	–	-5,151	–	-215	-604	-95	–
	10,923	–	-5,699	–	12,572	1,983	2,067	–
31 December 2003	**95,173**	**–**	**48,468**	**–**	**12,572**	**5,526**	**28,607**	**–**

Of the total proved and probable oil and gas reserves at 31 December 2003, 1,240 MBBL and 3,179 MMSCF of gas are attributable to minority shareholders of certain subsidiaries of the Group

NOTE 32 – SUBSEQUENT EVENTS

On 13 February 2004 the company completed the acquisition from DNO ASA (“DNO”) of its UK and Irish oil and gas interests. The acquisition was funded from internal funds and by the partial utilisation of a new USD 300 million loan facility, signed on 12 February 2004, provided by Bank of Scotland and BNP Paribas. The acquisition incorporates two producing fields and a development project in the UK North Sea and the newly commissioned Seven Heads gas field offshore Ireland. The Broom field development project, of which Lundin holds 55%, is expected to come onstream in the third quarter of 2004 with gross plateau production of 20,000 bopd. Associated development drilling and facility costs to be spent during 2004 are estimated at USD 56.9 million. In addition, Lundin has initiated a USD 15.0 million three well workover programme on the Thistle field designed to add incremental production from this mature field.

In February 2004 the Group entered into an oil hedging contract for 3,000 bopd for the period 1 March 2004 until 31 December 2004 fixing the price at USD 29.20 Dated Brent. In March 2004 the Group entered into an oil hedging contract for 3,000 bopd for the period 1 January 2005 to 31 December 2005 fixing the price at USD 28.40 Dated Brent.

The Group has entered into a number of currency hedges for 2004 fixing the rate of exchange from USD into Euros and CHF.

NOTE 33 – FINANCIAL RISK MANAGEMENT AND DERIVATIVE INSTRUMENTS

As an international oil and gas exploration and production company operating globally, Lundin Petroleum is exposed to financial risks such as fluctuations in currency rates, oil price, interest rates as well as credit financing. The Company shall seek to control these risks through sound management practice and the use of internationally accepted financial instruments, such as hedging. Lundin Petroleum uses financial instruments solely for the purpose of minimising risks in the Company’s business.

Currency risk
Lundin Petroleum’s policy on currency rate hedging is, in case of currency exposure, to consider setting the rate of exchange for known costs in non-US dollar currencies to US dollars in advance so that future US dollar cost levels can be forecasted with a reasonable degree of certainty. The Company will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge.

Oil price risk
Lundin Petroleum’s policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances Lundin Petroleum will assess the benefits of forward hedging monthly sales contracts for the purpose of establishing cash flow. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge.

Interest rate risk
Lundin Petroleum will assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the Company, then Lundin Petroleum may choose to enter into an interest hedge.

Credit risk
Lundin Petroleum's policy is to limit credit risk by limiting the counter-parties to major banks and oil companies. Where it is determined that there is a credit risk for oil and gas sales, the policy is to require an irrevocable letter of credit for the full value of the sale. The policy on joint venture parties is to rely on the provisions of the underlying joint operating agreements to take back possession of the licence or the joint venture partner's share of production for non-payment of cash calls or other amounts due.

Derivative instruments
Currency hedges
As at 31 December 2003, the Company did not have any currency hedging agreements.

Oil price hedges
As at 31 December 2003, the Company has entered into oil price hedging contracts for the production of 2,000 bopd for the period 1 January 2004 to 31 December 2004 such that in respect of this production the Company will receive USD 18.00 per barrel if the Dated Brent oil price falls below USD 18.00 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. Gains and losses on the above contracts are recognised on the date of sale.

Interest rate hedges
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% p.a. for a period of four years. The USD borrowings were repaid during the second quarter of 2003 but the interest rate hedging contracts continue to remain in place.

Market values
The market values for the derivative instruments as at 31 December 2003 were as follows:

In TSEK	Group	Parent company
Oil price hedging contracts	-26,227	–
Interest rate hedging contracts	-18,574	–

The oil price hedging contracts were valued based on the Dated Brent oil price as at 31 December 2003. The interest rate hedging contracts are valued at the net present value of the potential costs under these contracts and are fully recognised in the income statement for the year ended 31 December 2003.

AUDITORS' REPORT
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 2003. 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, 14 April 2004

CARL-ERIC BOHLIN
AUTHORISED PUBLIC ACCOUNTANT
PRICEWATERHOUSECOOPERS AB

KLAS BRAND
AUTHORISED PUBLIC ACCOUNTANT
PRICEWATERHOUSECOOPERS AB

The Board of Directors of Lundin Petroleum AB 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 encourages and motivates 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 2003	Total 2002	Pensions 2003	Pensions 2002
Non–executive Director			**(1)**			**(2)**	
Ian H. Lundin **(4)**	2,159	269	689	3,117	2,801	197	192
Executive Management							
C. Ashley Heppenstall	2,888	360	441	3,689	3,179	289	173
Other management **(3)**	5,566	694	378	6,647	6,685	609	560

	Fees	Directors fees	Pension payments	Total 2003	Total 2002
Non–executive Directors					
Adolf H. Lundin	–	–	1,258	1,258	1,482
Magnus Unger	600	210	–	810	785
Carl Bildt	–	210	–	210	210
Kai Hietarinta	–	210	–	210	210
Lukas Lundin	–	210	–	210	210
William Rand	–	210	–	210	210

(1) Benefits paid include school fees and health insurance.
(2) Pension contributions are payments to non-contributory pension funds of approximately five times above the minimum Swiss statutory levels.
(3) Other management comprise the first four Vice Presidents identified on page 28. Jeffrey Fountain and Marco Zanella were appointed to the management team in 2004.
(4) Ian H. Lundin ceased executive responsibilities in 2003 and going forward will not receive a salary from the Company.

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

The Company runs 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			Options Outstanding 31 December 2003		
	Issued 2001	Issued 2002	Issued 2003	Issued 2001	Issued 2002	Issued 2003
Executive Management						
C. Ashley Heppenstall	444,500	450,000	600,000	–	450,000	600,000
Other management	488,950	655,000	815,000	44,450	195,000	815,000
Non–executive Directors [1]						
Ian H. Lundin	635,000	650,000	400,000	–	485,000	400,000
Magnus Unger	76,200	80,000	–	76,200	80,000	–

	Issued 2001	Issued 2002	Issued 2003
Exercise price (SEK)	3.37	4.50	10.10
Exercise period	1 May 2002 – 1 May 2004	31 May 2003 – 31 May 2005	31 May 2004 – 31 May 2006
Valuation per warrant (SEK) [2]	0.94	0.98	2.53

[1] The non-executive directors received incentive warrants whilst employed in an executive management position.

[2] The valuation has been calculated using the Black & Scholes method.

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 2003.

››DEFINITIONS

ABBREVIATIONS

AGM	Annual General Meeting
EGM	Extraordinary General Meeting
SEK	Swedish krona
USD	US dollar
CHF	Swiss franc
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
MMSCF	Million standard 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	A 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 reservoirs 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 Petroleum website www.lundin-petroleum.com under the heading "Definitions"

FINANCIAL REPORT DATES<<

FINANCIAL REPORT DATES

The Company will publish the following interim reports:

- Three month report
  January–March 2004
  Published on 18 May 2004
- Six month report
  January–June 2004
  Published on 17 August 2004
- Nine month report
  January–September 2004
  Published on 16 November 2004

Further information can be found on the Lundin Petroleum website: www.lundin-petroleum.com

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