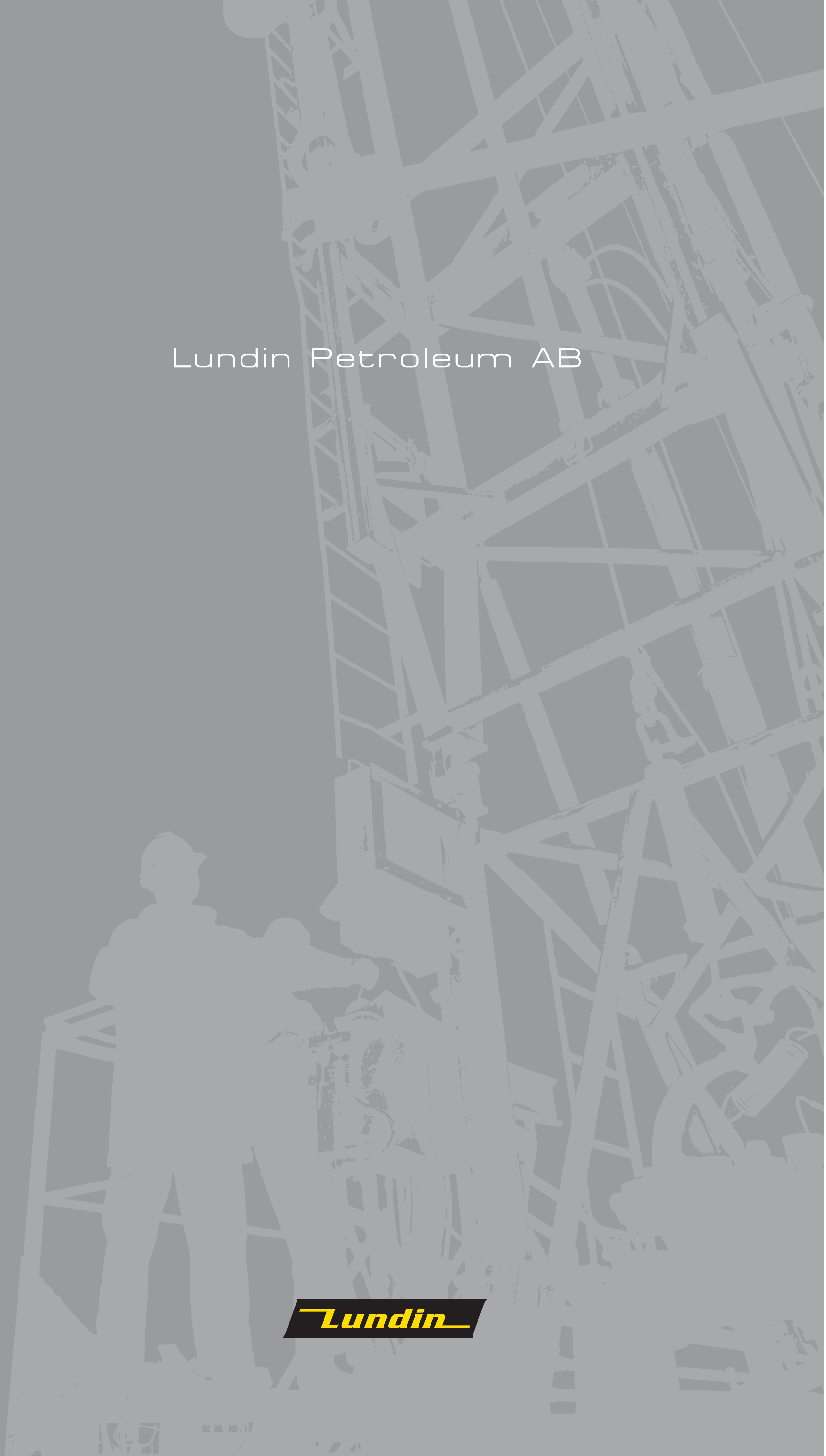
Lundin Petroleum AB



ANNUAL REPORT 2004

LUNDIN PETROLEUM

a Swedish independent upstream oil and gas company with active exploration and production assets in Europe, Africa, Asia and South America

contents

Definitions:

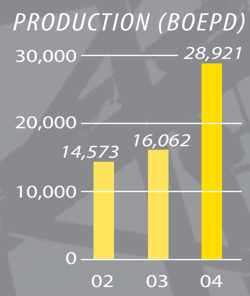
References to "Lundin Petroleum" or "the Company" pertain to the corporate group in which Lundin Petroleum AB (publ) (company registration number 556610–8055) is the parent company or to Lundin Petroleum AB (publ), depending on the context.

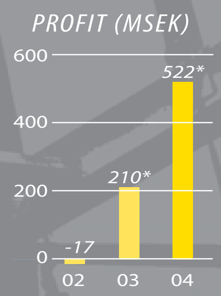
References to "Coparex" pertain to Lundin International SA (formerly Coparex International SA)

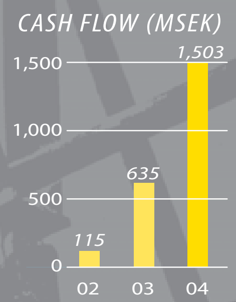
2004 highlights

- **Production of approximately 9.8 MMboe (5.8 MMboe)**
- **Average production 28,900 boepd (16,000 boepd)**
- **Reserves increase of 23% (29%)**
- **Turnover of MSEK 2,506 (MSEK 1,120)**
- **Average price received per boe USD 37.67 (USD 27.35)**
- **Profit after tax MSEK 522 (MSEK 210)***
- **Diluted earnings per share SEK 2.43 (SEK 3.71)**
- **Operating cash flow of MSEK 1,503 (MSEK 635)**
- **Completion of DNO assets acquisition**
- **First oil from Broom project, offshore UK**
- **Alvheim development plan approval, offshore Norway**
- **Oudna development plan approval, offshore Tunisia**
- **Exploration success in Norway and France**
- **Sale of OER oil AS**

Comparative period in brackets
** Adjusted to exclude sale of assets*







outlook 2005

- **Forecast average production of 40,000 boepd**
- **Exploration drilling in**
  - France
  - Indonesia
  - Nigeria
  - Norway
- **Development projects**
  - North Terrace / West Heather infill development offshore UK
  - Alvheim development offshore Norway
  - Oudna development offshore Tunisia

Letter to shareholders

As we have predicted the oil price remains strong and the world economy is adapting to a new, higher band of prices

C. Ashley Heppenstall, President and CEO

2004 was another very successful year for Lundin Petroleum. Last year we predicted that our assets would generate strong production growth resulting in increased profits and cash flow. The table below highlights that despite strong oil prices it is primarily production increases that contributed to the growth of Lundin Petroleum.

	2004	2003	Increase
Production (MMboe)	9.8	5.8	69%
(Mboepd)	29	16	
Oil Price achieved (USD)	37.67	27.35	38%
Operating Cash Flow (MSEK)	1,503	635	137%
(MUSD)	205	79	
Net Profit (MSEK) excluding assets sales	522	210	148%
(MUSD)	71	26	
Shareholders Equity (MSEK)	2,407	1,857	30%
(MUSD)	363	257	
Average exchange rate used USD : SEK	*7.3395*	*8.0826*	
Closing exchange rate used USD : SEK	*6.6226*	*7.2257*	

Reserves and production

Our performance will continue to be driven by reserves and production growth. We announced third party certified reserves as at 1 January 2005 of 142.6 million barrels of oil equivalent (boe) being a 23 percent increase on 2004 and a replacement ratio of 274 percent. Our 2005 production forecast of 40,000 barrels of oil equivalent per day (boepd) is a further 38 percent increase on 2004. As such, we are confident that Lundin Petroleum will continue to generate significant profit and cash flow growth in 2005.

Assuming an average Brent oil price of USD 40.00 per barrel for 2005, we forecast net profits after tax of MSEK 925 (MUSD 135) and operating cash flow of MSEK 1,990 (MUSD 290) for the year.

Investments 2005

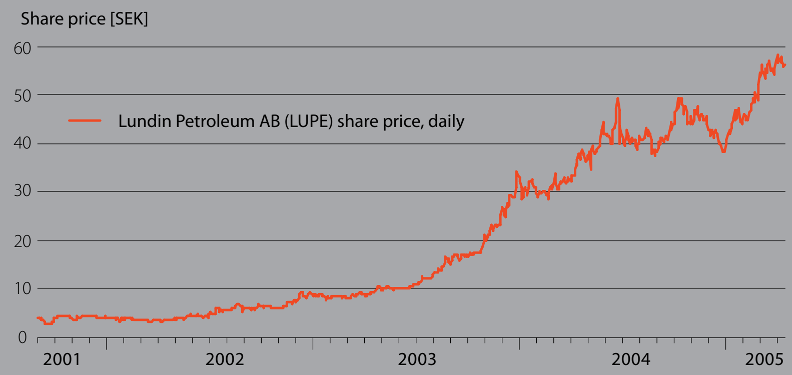
We continue with a very active investment programme. The development budget for 2005 is USD 196 million and is primarily related to our ongoing development projects in Norway (Alvheim), United Kingdom (North Terrace/West Heather) and Tunisia (Oudna) which will result in further organic production growth going forward. We believe that our proactive exploration strategy will continue to deliver positive results. Furthermore, despite exploration disappointments in Iran and Indonesia, reserve additions in France and Norway (resulting from exploration successes) were made at a total cost of approximately USD 2.50 per barrel in 2004. In 2005, our exploration budget has increased by 40 percent to USD 45 million. Drilling activity in 2005 is expected in France, Indonesia, Norway and in Nigeria where Lundin Petroleum recently acquired an interest in a new offshore area.

The future

Looking further to the future we will seek to increase our reserves and production through a combination of acquisition and exploration/development. In our opinion the valuations being attributed to some acquisitions by other companies seem aggressive and as such we will likely focus on organic growth in the near term. Additionally we will look to increase our acreage position in new countries such as Nigeria.

Oil price

As we have predicted, the oil price remains strong and the world economy is adapting to a new, higher band of prices. World economic growth continues to be driven by the developing world led by China and India. This is coupled with an uncertain supply position with very little spare capacity in the system at a time of geopolitical concerns particularly in the Middle East. We expect the oil price to remain strong and if necessary to be underpinned by a firm OPEC policy. We are experiencing tightness in equipment availability within the industry particularly the rig market. This is having an impact on pricing but more importantly for us, on project schedule which could negatively impact the timing of certain exploration wells.



Lundin Petroleum Share Price History

People

Over our short life Lundin Petroleum has grown into a significant independent oil company capable of competing on the world stage. I am very proud of what has been achieved so far and remain confident about our future growth prospects. We have a strong and diverse asset base and an excellent group of staff. People remain absolutely fundamental to our business and I am pleased we are able to continue to attract quality personnel to work with us. The overall objective for management is to create shareholder value and we seek to ensure all staff share this same objective whilst at the same time ensuring safety, environmental and social responsibility issues are given a primary focus.

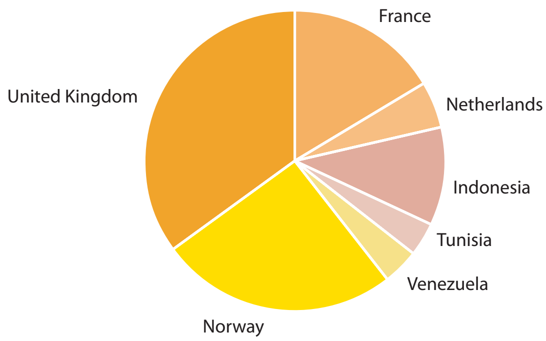
I would like to also thank the staff and our extensive sponsors involved in the Stockholm Marathon last year where we raised SEK 770,000 for the three charities: Cancerfonden (cancer research in Sweden), Iris Hundskolan (guide dogs for the blind) and The Bridge of Hope Center (homeless children in Sudan). All the effort and pain was worthwhile but in the future I will stick to "running" Lundin Petroleum and leave the question of charity to other competent people in the company!

Our industry faces major challenges over the forthcoming years to ensure the world is adequately supplied with oil and gas which will remain the most important source of energy to fuel the world's economic growth. As a result there is significant opportunity for Lundin Petroleum to grow and continue to deliver strong increases in value to our shareholders.

Best regards

C. Ashley Heppenstall
President and Chief Executive Officer

Lundin Petroleum Proven & Probable Reserves 2005



Proven & probable reserves 142.6 MMboe

Performance and governance

I expect to see more deals in 2005 whilst the pace of exploration and development activity will increase towards the middle of the year with important wells being drilled

Ian H. Lundin, Chairman of the Board

Words from the Chairman

Life at Lundin Petroleum evolves rapidly. As the organisation grows, the demands on the management and the Board increase day by day.

The Board recognises that it is important to maintain a firm grip on the Company to ensure that the expansion takes place in an orderly manner. There are certain tools which help the Board and the management fulfil their functions and ensure that the Company pursues a high standard of corporate governance. These tools include the Exchange Rules and our own Code of Governance, Code of Conduct and management systems. I will not describe the contents of these documents in detail, suffice to say that they are "works in progress" subject to constant revisions as the Company evolves and corporate laws change.

A new Corporate Governance Code was presented by the Swedish Code Group late in 2004 to be adopted in 2005. This Code will be enforced by self-regulation and the "comply or explain" principle rather than be turned into law (such as the Sarbanes – Oxley Act in the USA). The Code will be effective as of 1 July 2005 and we will work towards ensuring full compliance with it.

The work of the Board during 2004

2004 was a busy year for the Board of Lundin Petroleum. Nine Board meetings took place along with numerous committee meetings as well as an executive session and a site visit to the Thistle and Heather platforms in the UK North Sea. Apart from the routine work of the Board (such as financial/operational reviews, review and approval of management policies, compensation packages and of course the approval of financial statements) there were a number of material transactions to review and approve, namely:

- The acquisition of UK, Irish and certain Norwegian Assets of DNO ASA
- The terms of a USD 385 million loan facility arranged by the Bank of Scotland and BNP Paribas
- A new PSC contract in Albania
- The sale of OER oil AS to Endeavour International Corp.
- Group hedging strategy

In addition to the formal Board meetings the entire Board attended a two days Executive Session which took place in Edinburgh in conjunction with the site visit to the Company's operated North Sea platforms. These annual executive sessions allow the Board to interact with the management and senior employees of the Company whilst reviewing proposed projects in detail.

The outlook for 2005

The new year started off strongly with the acquisition of a 22.5 percent net revenue interest in OML 113 offshore Nigeria. This licence contains the Aje oil and gas discovery and represents a first entry in to West Africa for Lundin Petroleum. In addition, the Company was granted a new exploration licence in the Donegal Basin offshore Ireland and acquired interests in several licences in both the Norwegian and UK sector of the North Sea.

Lundin Petroleum continues to evaluate, bid and apply for new acreage in Western Europe and Africa which have become two of its core areas of operation. I expect to see more deals in 2005 whilst the pace of exploration and development activity will increase towards the middle of the year with important wells being drilled in the North Sea, Nigeria and Indonesia. Field development activity is centred on the Alvheim project offshore Norway, where the Company has a 15 percent working interest. This is a one billion dollar project which comes onstream in 2007 at a rate of over 85,000 boepd (12,750 boepd net to Lundin Petroleum). There are further ongoing development projects in Indonesia, Tunisia and the UK.

The UK sector of the North Sea will continue to be the main cash flow generator for Lundin Petroleum in the near future. By handing over duty and care for the Thistle and Heather platforms to Petrofac Facilities Management, our team of experts will be able to focus their attention on the development of existing assets and on new opportunities.

Finally, we were delighted by the signing, on 9 January 2005, of a comprehensive peace agreement between the Government of Sudan and the Sudan People's Liberation Movement/Army (SPLM/A). The accord not only provides the people of Sudan with a real chance at long term peace and economic prosperity but it also means that operations are finally likely to be reactivated on Block 5B, where Lundin Petroleum has a 24.5 percent non-operated working interest.

All this means another busy year for Lundin Petroleum, which continues to thrive and expand in this high oil-price environment.

Small is beautiful

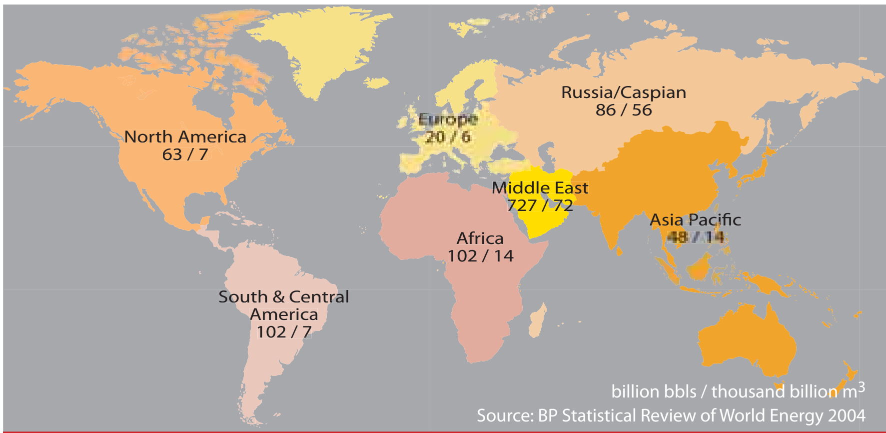
It is interesting to note that according to the Energy Bulletin "Shell reported 3 February 2005 that reserves fell in 2004 because it found enough oil to replace just 15 percent to 25 percent of what the company produced. BP replaced 89 percent of production, the company said on 8 February 2005". These comments put into perspective the difficulty the majors are facing today in replacing their production, let alone to increase their reserves. It is only smaller companies with aggressive exploration programmes that stand a good chance of achieving organic growth. Lundin Petroleum's 23 percent increase in reserves on top of 69 percent growth in production in 2004 is considered to be benchmark from which to improve. A number of the exploration wells Lundin Petroleum will participate in this year have the potential to boost reserves by more than 50 percent.

I would like to express my appreciation to the Board, the management and of course all the employees of Lundin Petroleum for a job well done. And to the shareholders I would like to say "you ain't seen nothing yet"!

Sincerely,

Ian H. Lundin
Chairman of the Board

Market description



Global Proven Oil and Gas Reserves at the end of 2003

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 1,147.7 billion barrels at the end of 2003, of which 63 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 compared to where the oil reserves are situated. At the end of 2003 there were 176 thousand billion m^3 of proven natural gas reserves, of which the Middle East had 40 percent and Russia 32 percent.

The growing gap

The world has up until now been supplied by oil discovered particularly from 1950 through to the 1970s. Despite significant improvements in technology the industry has not discovered enough new reserves to replace the oil being consumed since the mid 1980s (see graph). The International Energy Agency (IEA) estimates that global oil demand will increase by 1.6 percent per year which will result in a global oil demand increasing to 121 MMbopd in 2030.

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.

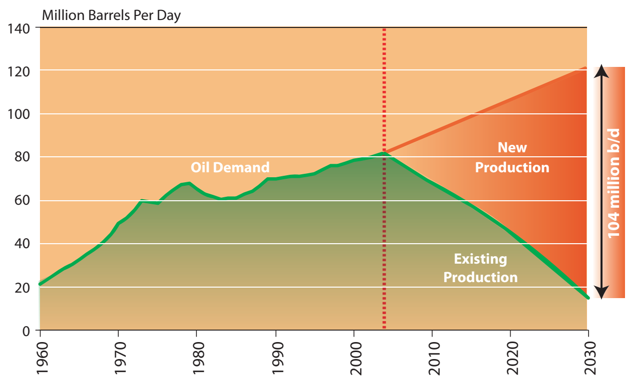
The consumption per capita varies greatly between different regions. North America has by far the greatest consumption per capita, followed by Europe. The world today consumes over 80 million barrels of oil per day representing 30 billion barrels of oil per year which is approximately the same amount as all the oil produced in the UK North Sea to date.

Natural gas is consumed primarily in geographical proximity of the production, resulting in North America, Russia 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. In addition, prices of alternative fuels, global economic conditions and weather conditions affect oil price.

Future Demand Growth



Vision, strategy, financial objectives

Vision

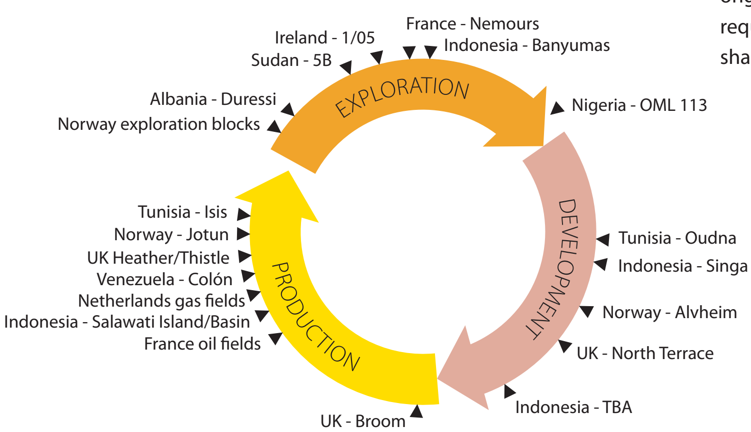
As an international oil and gas exploration and production company operating globally, the aim is to explore for and produce oil and gas in the most economically efficient, socially responsible and environmentally acceptable way, for the benefit of shareholders, employees, and co-venturers.

Lundin Petroleum applies the same standards to its activities worldwide to satisfy both its commercial and ethical requirements. Lundin Petroleum strives to continuously improve its performance and to act in accordance with good oilfield practice and high standards of corporate citizenship.

Strategy

Lundin Petroleum is pursuing the following strategy:

- Further explore and develop its existing asset base. Lundin Petroleum has an inventory of drillable prospects with large upside potential and several discoveries in the appraisal/development stage.
- Actively pursue new exploration acreage around the world. Lundin Petroleum intends to increase its asset portfolio drawing on its extensive network of government and corporate contacts.
- Acquire producing assets which are undervalued and fit into Lundin Petroleum's scope of operations.



Financial objectives

The primary objective of Lundin Petroleum is to add value for the shareholders, employees and society through profitable operations and growth. The added-value of Lundin Petroleum will flow from a mixture of improved cash flow and profitability from the producing assets and through exploration and technical success leading to an increase in reserves. Cash flow and profitability from the producing assets can be improved through good technical management of the assets leading to improved production levels and lower production costs. Lundin Petroleum aims to increase hydrocarbon reserves through exploration and through acquisitions. Lundin Petroleum will fund acquisitions through a mixture of internally generated funds, third party debt and, if necessary, through new equity.

The shareholders' equity of Lundin Petroleum does not reflect the underlying value of its assets as the recorded value relates partly to exploration and development expenditures and partly to acquisition costs capitalised in accordance with Generally Accepted Accounting Principles. The underlying value of Lundin Petroleum's assets is the calculation of discounted cash flows based on the future production from its reserves. It is the policy of Lundin Petroleum to leverage with third party debt at a level of up to 50 – 70 percent of the underlying value of the assets.

Lundin Petroleum's dividend policy is to give funding priority to ongoing exploration projects and to satisfy the immediate capital requirements of the Company prior to considering distribution to shareholders.

Review of operations

Lundin Petroleum's worldwide activities have significantly increased during 2004 and will continue to do so in 2005

Operational achievements and objectives
The highlight of 2004 was the completion of the DNO acquisition adding new assets in Norway and the United Kingdom. The Broom project offshore UK, was brought on stream in August and has proven very successful with a daily production over 25,000 boepd (gross). In Norway we now have a strong team of professionals who are managing a portfolio of primarily Norwegian exploration assets with great upside potential.

Important milestones regarding new field development projects were achieved with final approval of the development plans for the Alvheim project, offshore Norway, the Oudna project, offshore Tunisia, the North Terrace project, offshore UK and the TBA project, offshore Indonesia. These projects are now moving ahead with extensive work programmes for 2005 and onwards.

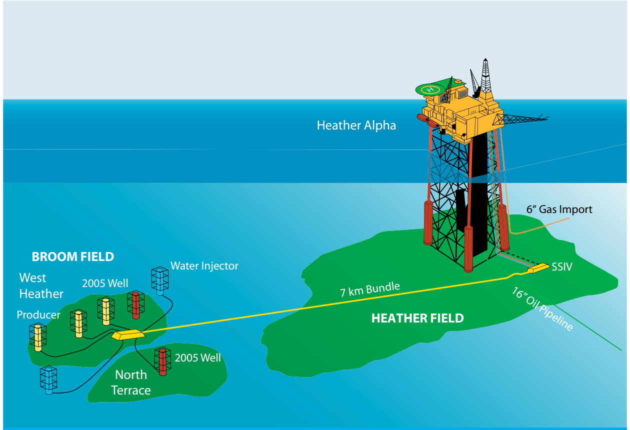
Regarding exploration, the highlights were the Hamsun discovery offshore Norway and the Mimosa discovery onshore France. Exploration activities in Iran with the drilling of two wells were also carried out in 2004. Unfortunately, neither well encountered commercial quantities of oil and were plugged and abandoned. Meanwhile, efforts to acquire new exploration assets continued. Lundin Petroleum was awarded three new offshore licences in Norway during the last bidding round and one new large offshore licence in Albania. In Ireland Lundin Petroleum was granted a frontier exploration licence in the Donegal basin. The newly acquired acreage in Nigeria, OML 113, will be drilled during 2005.

Lundin Petroleum's worldwide operations have significantly increased during 2004 and will continue to do so in 2005. As we expand, it is critical that we continue to employ a highly skilled, experienced and motivated team of people who will deliver growth and expertise in an ever growing competitive environment. Looking back at what has been achieved since Lundin Petroleum was formed and contemplating the anticipated high level of activities for 2005, I am confident that we will succeed and meet our medium and long term objectives.

Alexandre Schneiter
Chief Operating Officer
Executive Vice President

Country	Concession	Operator	Gross Area km^2
Albania	Durresi	OMV	4,208
France	20 Licences	Lundin Petroleum (14) Esso Rep (6)	2,368
Indonesia	6 Licences	Lundin Petroleum (3) PetroChina (2) Medco (1)	13,335
Iran	Munir Block	Edison International	2,690
Ireland	2 Licences	Lundin Petroleum (1) Ramco (1)	700
Netherlands	21 Licences	Total (12) Vermillion (5) NAM (2) Gaz de France (2)	4,718
Nigeria	OML 113	Yinka Folawiyo Petroleum (Lundin Petroleum as technical advisor)	1,821
Norway	15 Licences	Lundin Petroleum (4) Marathon (6) BG (2) Esso (1) Statoil (2)	1,826
Sudan	Block 5B	White Nile (5B) Petroleum Operating Company	20,119
Tunisia	4 Licences	Lundin Petroleum (4)	1,148
United Kingdom	6 Licences	Lundin Petroleum (5) Genesis Exploration and Production (1)	744
Venezuela	Colón Unit	Tecpetrol	3,247

Operations



UNITED KINGDOM

- *Reserves: 50.3 MMboe*
- *2004 average net production: 12,340 boepd*
- *2005 net production forecast: 25,500 boepd*

Lundin Petroleum has working interests in a number of assets in the northern sector of the United Kingdom Continental Shelf (UKCS). The major operated assets include two mature producing fields, Thistle and Heather, and the Broom field which was brought on stream by Lundin Petroleum in August 2004 with a production in excess of 25,000 bopd (gross).

To optimise the production on Heather and Thistle a variety of work-over techniques, artificial lift, water injection, development drilling programmes and maintenance of the surface facilities are being used.

The Broom field, which comprises two accumulations - West Heather and North Terrace - is an example of the impact new discoveries in the region of old fields can have. A further infill well will be drilled on the West Heather structure during 2005. North Terrace is being developed as a result of the successful completion of West Heather and is planned to be brought on stream in 2005.

2004 Highlights

- Completed Broom - West Heather sub-sea field, tied back to the Heather platform. First oil in August.
- Completed two Thistle water injection work-overs and re-established water injection capacity of approximately 180,000 bwpd.
- Farm-in deal with Genesis Exploration and Production Block 9/10c.

2005 Work programme

- Develop Broom (phase 2) with 1 additional infill well on West Heather.
- 1 production well to be drilled on North Terrace.
- Increase water handling capacity of both Heather and Thistle facilities.
- Outsource platform operations and maintenance, for both the Heather and Thistle facilities.

NETHERLANDS

- *Reserves: 7.1 MMboe*
- *2004 average net production: 2,600 boepd*
- *2005 net production forecast: 2,700 boepd*

The Netherlands is a mature gas province providing Lundin Petroleum with stable, long-term onshore and offshore production. The production is generated from non-operated interests. Although most of the producing fields are mature, additional infill drilling and development opportunities are actively pursued.

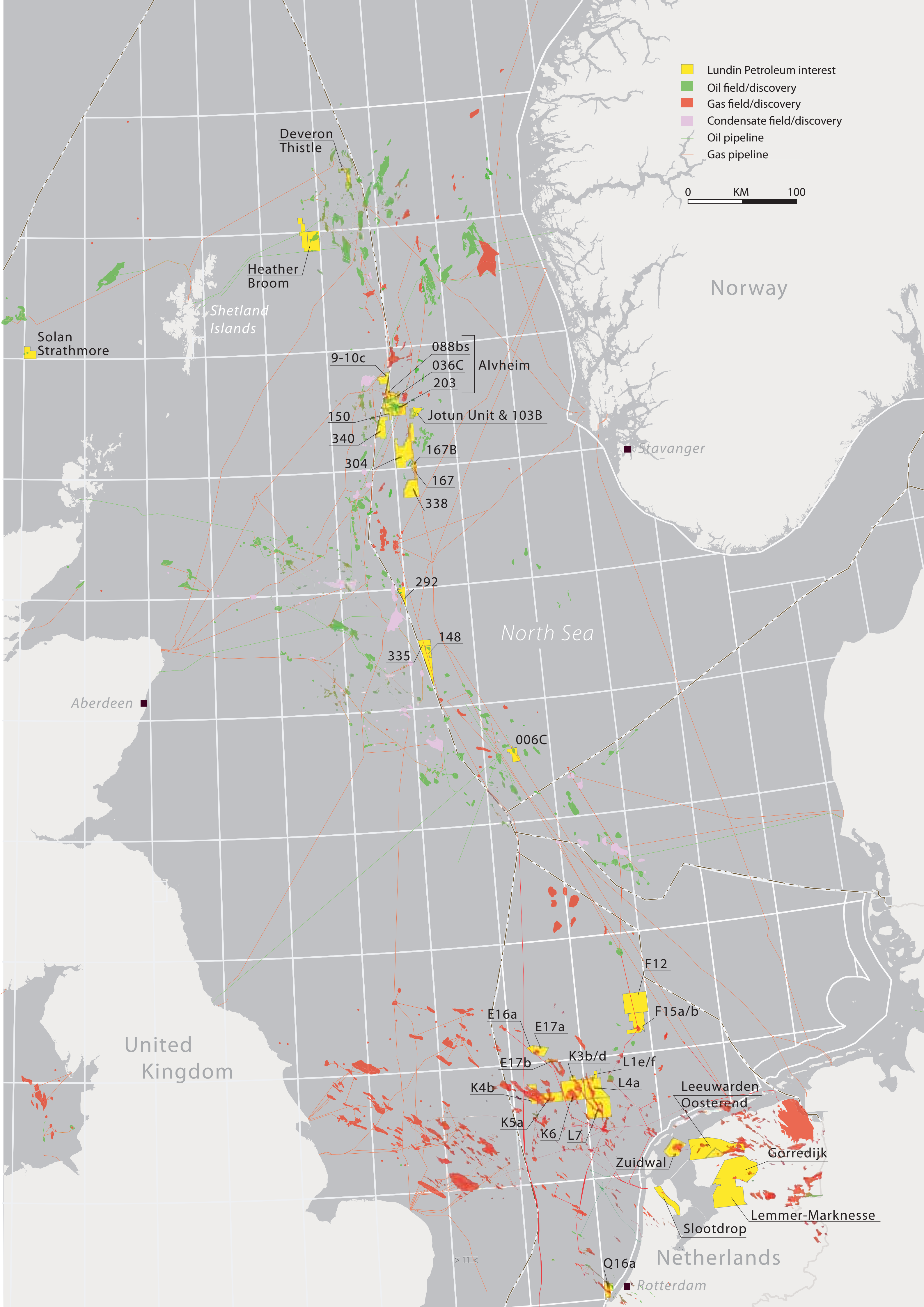
The Dutch government continues to provide a market for all discovered gas through its small gas field policy. As a result several development and exploration projects are ongoing to maintain and increase current production profiles.

2004 Highlights

- 1 development well F15-A field on stream
- 1 well in K5-EC field spudded
- 1 exploration well drilled, Luttlegeest-1
- 1 development well drilled on Zuidwal field

2005 Work programme

- 2 production wells to be drilled offshore, K5-EC and K4-BE fields.
- Develop L4-G discovery as a tie-back to the L4A platform. First gas 2006
- Test of the Luttlegeest-1 exploration well



Lundin Petroleum interest
Oil field/discovery
Gas field/discovery
Condensate field/discovery
Oil pipeline
Gas pipeline
0 KM 100
Norway
Deveron
Thistle
Heather
Broom
Shetland Islands
Solan
Strathmore
9-10c
088bs
036C
203
Alvheim
150
Jotun Unit & 103B
340
304
167B
167
338
Stavanger
292
148
335
North Sea
Aberdeen
006C
F12
F15a/b
E16a
E17a
E17b
K3b/d
L1e/f
L4a
K4b
K5a
K6
L7
Leeuwarden
Oosterend
Gorredijk
Zuidwal
Lemmer-Marknesse
Slootdrop
United Kingdom
Netherlands
Q16a
Rotterdam

Operations

NORWAY

- *Reserves: 36.3 MMboe*
- *2004 average net production: 3,190 boepd**
- *2005 net production forecast: 1,000 boepd*

** includes OER assets sold in 2004*

The Norwegian Continental Shelf has been one of the principal growth areas for Lundin Petroleum over the past two years, and activity is planned to increase in 2005.

Lundin Petroleum acquired the majority of the Norwegian assets of DNO via a deal initiated in 2003 and completed in 2004. Lundin Petroleum successfully managed to secure a core team of skilled and experienced management and technical staff associated with these licences. This acquisition has been the springboard for both the ongoing maturation of the existing assets and the acquisition of new ones through a series of asset deals and licence awards.

Recently awarded licences in 2004 consist of exploration acreage locally associated with existing discoveries. Other licences contain as yet unexploited though proven marginal accumulations of oil and gas.

Alvheim

2005 sees the start of development drilling on the Alvheim project PL203 (working interest 15%). This is an approximately USD 1 billion development which will result in oil and gas being produced from a series of good quality sandstone reservoirs via an FPSO. Development plan approval was granted in 2004, and first oil is expected in early 2007. Gross initial Alvheim production is forecasted to be approximately 85,000 boepd.It is anticipated that Alvheim will become the hub for additional satellite developments in this area.

The nearby Hamsun discovery (working interest 35%) made in early 2004 is likely to be tied back to Alvheim. Development planning work will be ongoing throughout 2005.

2004 Highlights

- Completion of the acquisition of the majority of DNO's Norwegian assets
- Recruited an experienced management and technical team
- Discovery of oil and gas with the Hamsun well (24/9-7) which proved an exciting and new Tertiary sandstone play type. Located close to the ongoing Alvheim development, Hamsun will likely be developed as a sub-sea tie-back to Alvheim.
- Farm-out of 60 percent interest in PL292 to BG Group.
- Award of three exploration licences in the 2004 APA licence round, PL335, 338 and 340
- Licence deal with ExxonMobil acquiring 60 percent of PL304
- Sale of the 75 percent shareholding in OER oil AS to Endeavour for NOK 172.5 million

2005 Work programme:

- 5 development wells to be drilled on the Alvheim field
- 1 exploration/appraisal well to be drilled on the East Kamelion structure
- Technical studies with a view to an active 2006 exploration drilling campaign

FRANCE

- *Reserves: 23.2 MMboe*
- *2004 average net production: 4,300 boepd*
- *2005 net production forecast: 4,300 boepd*

France is one of the major operated producing areas of Lundin Petroleum. Production in both the Paris and Aquitaine Basin is optimised by using a variety of work-over techniques, water injection and development drilling programmes. Facilities and infrastructure are in place with excess capacity to enable future development.

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

Paris Basin 2004 highlights

- 2 development wells drilled in the Merisier field
- 1 sidetracked well drilled in the Grandville field
- Water injection started in the Soudron Rhetien field

Paris Basin 2005 work programme

- 1 exploration well to be drilled in Nemours
- 2 producers to be converted into injectors
- 1 sidetrack well to be drilled
- Remedial work-over on the Merisier field

Aquitaine Basin 2004 highlights

- 1 discovery of oil, Mimosa field
- 1 sidetrack in the Courbey field
- Application for the Carret exploration licence

Aquitaine Basin 2005 work programme

- First oil from the Mimosa discovery via temporary production facilities
- Develop the Mimosa field with permanent facilities

TUNISIA

- *Reserves: 5.2 MMboe*
- *2004 average net production: 1,470 boepd*
- *2005 net production forecast: 1,200 boepd*

Lundin Petroleum is an operator in Tunisia with production from the offshore Isis field and the Oudna development project in 2005.

The Oudna field was discovered in 1978 and the well-1 tested 7,000 bopd. The development plan has been approved by the Tunisian government and will consist of a single production and a single water injection well, tied back to the Ikdam FPSO (Floating Production, Storage and Offloading vessel). Production is scheduled to commence during late 2006.

The production from the Isis field is currently in decline and it is anticipated that the Isis field will be suspended when the FPSO is moved to the Oudna field.

2004 Highlights

- Debottlenecking of the Isis field; increased gas handling capacity on Isis-7
- Development plan for Oudna approved

2005 Work programme

- Develop the Oudna field. First oil 2006
- Conceptual studies to tie back the Birsa discovery to Oudna

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 arrangements are such that Lundin Petroleum and PGS each have an effective 50 percent commercial interest in the vessel.

Operations

INDONESIA

- *Reserves: 15.2 MMboe*
- *2004 average net production: 2,300 boepd*
- *2005 net production forecast: 3,300 boepd*

Lundin Petroleum has been involved in Indonesia since 2002 and has an extensive portfolio of production, development and exploration assets. Production is generated from non-operated assets in the Salawati Island/Salawati Basin areas. The ongoing development project of the TBA field, offshore Salawati Island, will increase production.

The development of the Singa gas discovery on Lematang Block is ongoing with first gas expected in 2006/2007.

There is further exploration potential with an active drilling programme in 2005.

2004 Highlights

- 8 development wells drilled in Salawati Island/Salawati Basin
- 7 exploration wells drilled in Salawati Island/Salawati Basin
- 3D seismic in Salawati Basin
- 2 exploration wells drilled, Padi-1 and Banteng-1: non commercial
- Farmed out 25 percent Banyumas Block to Star Energy
- Farmed out 40 percent of Blora Block to Kufpec

2005 Work programme

- 15 development wells to be drilled in the Salawati Basin
- 3 development wells to be drilled in the Salawati Island
- Develop the TBA field offshore Salawati Island with 2 development wells and a mobile production unit. First oil 2005
- 4 exploration wells to be drilled Salawati Basin
- 5 exploration wells to be drilled Salawati Island
- 1 exploration well, Jati-1, to be drilled on Banyumas
- Develop the Singa gas field on South Sumatra. First gas 2006/2007

VENEZUELA

- *Reserves: 5.4 MMboe*
- *2004 average net production: 2,260 boepd*
- *2005 net production forecast: 2,400 boepd*

Venezuela is one of the world's most prolific petroleum regions. Lundin Petroleum has a working interest in the Colón Block located in the western edge of the Maracaibo Basin, near Lake Maracaibo.

Oil and gas is produced from eight individual fields in the Colón Block with the La Palma field being the main producer. There are reserves in the current producing fields to maintain production at or above 20,000 bopd (gross) which is the current capacity of the pipeline facilities. The production will be maintained through further drilling of a number of production wells.

2004 Highlights

- LPT-10, development well drilled in the La Palma (Mirador) field
- LPT-11 development well spudded

2005 Work programme

- 5 production wells to be drilled in La Palma field (Mirador)
- Deepen the planned LPT-14 well to assess the Orocue prospect underlying the La Palma (Mirador) field
- Continue to negotiate terms with PDVSA to enable the deep La Palma Cretaceous prospect to be drilled

OTHER EXPLORATION ASSETS

Ireland

Lundin Petroleum has a 12.5 percent interest in the Seven Heads gas field which came on stream in December 2003. Although initial rates were as expected, very rapid decline clearly indicated that the gas volume connected to the five production wells was significantly less than predicted. As a result the life expectancy and the estimated recoverable reserves of the Seven Heads gas field were downgraded from those presented in the development plan. Lundin Petroleum has agreed to sell its working interest in Seven Heads Gas to Island Oil and Gas plc, along with its interest in the Rosscarbery Licensing Option and half of its interest in the Seven Heads Oil Licensing Option for 4 million shares in Island Oil and Gas plc. The current value is approximately GBP 3.0 million. Completion of the deal is expected to take place in the first half of 2005.

Lundin Petroleum has been granted a 35 percent interest in the Frontier Exploration Licence 1/05 in the Donegal Basin and will operate the licence, which covers Block 13/7 and part-Blocks 13/11 (NE) and 13/12 (N) off the north western coast of Ireland.

2005 Work programme

- Technical studies to enable exploration drilling on the 1/05 licence in 2006

Iran

Lundin Petroleum has a 30 percent non-operated interest in the Munir Block, onshore Iran. Two wells were drilled in 2004 testing non-commercial quantities of hydrocarbons. It is likely that a number of the encountered reservoirs contained hydrocarbons but were subsequently breached by tectonic events allowing hydrocarbons to escape through faulting.

A one year extension has been granted by NIOC (National Iranian Oil Company) to allow enough time for the joint venture to evaluate all the acquired data available in the Munir Block.

Albania

Lundin Petroleum signed a production sharing contract for the Durresi Block, offshore Albania, (working interest 50%). Together with OMV, the operator, Lundin Petroleum took the decision of entering into this new offshore block after evaluation of new technical data.

The Durresi exploration area is located offshore Albania between Cape Rodoni to the north and the Karaburuni Peninsula to the south. Most of the block is located in shallow water up to 100 metres deep. The area has excellent logistics provided by the ports of Vlora and Durres.

2005 Work programme

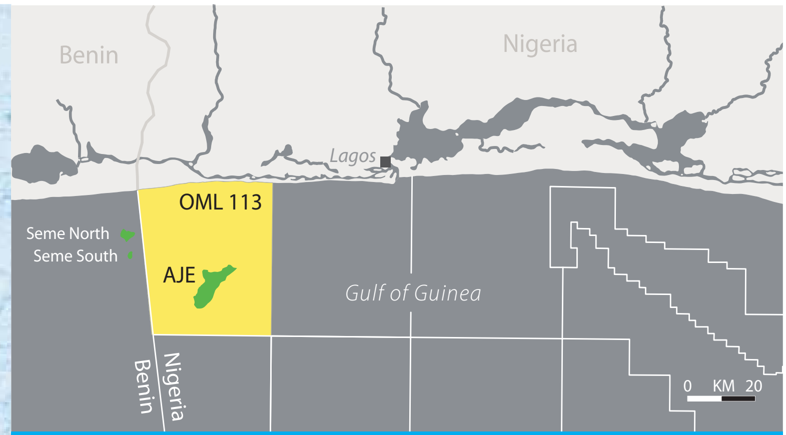
- Reprocessing 1,000 km of 2D seismic
- Acquisition of at least 400 km^2 of 3D seismic

Sudan

In 2001 Lundin Petroleum was awarded a 24.5 percent working interest in Block 5B, operated by White Nile (5B) Petroleum Operating Company.

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 of oil and a production of over 300,000 bopd. The block contains numerous large prospects and leads identified from earlier acquired seismic. A comprehensive peace agreement was signed in Sudan on 9 January 2005 between the government of Sudan and the Sudan People's Liberation Movement/Army (SPLM/A). Lundin Petroleum believes that the signing of the peace agreement will allow operations to resume in the near future with the objective of testing the numerous large prospects and leads located on Block 5B.

New ventures for 2005



Nigeria

In January 2005, Lundin Petroleum signed an agreement to acquire a 22.5 percent net revenue interest in Block OML 113 located offshore West Nigeria. The Block is operated by the indigenous company Yinka Folawiyo Petroleum while Lundin Petroleum acts as technical advisor. The consortium in OML 113 includes several international oil and gas companies.

Nigeria is a prolific province for oil and gas with oil production in excess of 2 million bopd.

Block OML 113 is located in the Benin Basin, where oil is produced from the Seme field in Benin. OML 113 also contains a number of further exploration targets.

The Aje field was discovered in 1996 by the Aje-1 well which encountered approximately 100 metres of gas and a thin underlying oil rim within the Turonian sandstone reservoir.

Aje-2, located east of Aje-1, confirmed the presence of oil and gas within the Turonian reservoir and discovered a new oil accumulation within a deeper Cenomanian sandstone reservoir.

In 2004, a PSDM processing (pre-stack depth migration) of the 3D survey acquired in 1998 indicated that Aje-1 and 2 wells were drilled on the flank of the structure. The crest of the Aje field is the target for the Aje-3 well, which will aim to confirm the presence of an oil accumulation within the Cenomanian reservoir as well as the presence of gas and oil within the Turonian sandstone.

2005 Work programme

- 1 exploration/appraisal well, Aje-3

Management and auditors

C. Ashley Heppenstall

Alexandre Schneiter

Geoffrey Turbott

Christine Batruch

Jeffrey Fountain

Chris Bruijnzeels

MANAGEMENT

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

Christine Batruch, born 1959
Vice President Corporate Responsibility
Shares in Lundin Petroleum: 2,000
Incentive warrants outstanding: 75,000

Andrew Harber (no photograph), born 1956
Deputy Managing Director
Shares in Lundin Petroleum: 2,000
Incentive warrants outstanding: 55,000

Alexandre Schneiter, born 1962
Executive Vice President and Chief Operating Officer
Shares in Lundin Petroleum: 50,000
Incentive warrants outstanding: 600,000

Jeffrey Fountain, born 1969
Vice President Legal
Shares in Lundin Petroleum: nil
Incentive warrants outstanding: 80,000

Geoffrey Turbott, born 1963
Vice President Finance and Chief Financial Officer
Shares in Lundin Petroleum: 2,000
Incentive warrants outstanding: 170,000

Chris Bruijnzeels, born 1959
Vice President Reservoir and Production
Shares in Lundin Petroleum: nil
Incentive warrants outstanding: 55,000

AUDITORS

Carl-Eric Bohlin, born 1946
Authorised Public Accountant
Lundin Petroleum auditor since 2001
PricewaterhouseCoopers AB, Stockholm

Klas Brand, born 1956
Authorised Public Accountant
Lundin Petroleum auditor since 2001
PricewaterhouseCoopers AB, Gothenburg

Bo Hjalmarsson, born 1960
Authorised Public Accountant
Lundin Petroleum deputy auditor since 2001
PricewaterhouseCoopers AB, Stockholm

Corporate responsibility

Lundin Petroleum aims to conduct its activities in the most economically efficient, socially responsible and environmentally acceptable way.

Lundin Petroleum is committed to instil throughout the Company and its operations a set of common values and principles in order to ensure that everywhere it operates it uses good industry practice and fulfils its commitment to act as a responsible corporate citizen.

CORPORATE RESPONSIBILITY FRAMEWORK

Lundin Petroleum has developed a set of documents that guide the Company and its subsidiaries in their activities. The core document is the Code of Conduct , which sets out the values, responsibilities and principles by which the Company operates. All members of the staff are made aware of the Code and its meaning; a review of performance under the Code is conducted internally and presented to the Board on an annual basis.

The Code of Conduct is reinforced by policies on Health and Safety, the Environment and Community Relations. These Policies provide the general framework under which Lundin Petroleum operations are to be conducted and assessed.

Lundin Petroleum has also in place a Health, Safety and Environmental (HSE) Management System, the "Green Book", attributes roles and responsibilities throughout the organisation. Corporate HSE Goals complement the Green Book by setting out requirements for all the operations to ensure a minimum common standard irrespective of size or type of activities conducted. Individual HSE targets are established within each country of operations.

KEY 2004 INITIATIVES

Monitoring and reporting

As a further step to establishing minimum standards for operations through the corporate HSE Goals, Lundin Petroleum introduced a formal monitoring and reporting system, which includes the following Key Performance Indicators (KPIs): Lost Time Accidents (LTAs), Accident, Incident and Near Miss Reports, Oil Spills and Gas Leaks, as well as details of problems encountered, remedial measures put in place and initiatives undertaken to improve HSE performance. The data is included in a Monthly Performance Summary which is disseminated throughout the operations. In addition to being a monitoring tool for the corporate entity, the Summary serves as a means to share lessons learned and best practice. The Monthly Performance Summary is a positive step towards enabling Lundin Petroleum to eventually report publicly about its HSE performance in a consistent, accurate and transparent manner.

KPIs in 2004

Lundin Petroleum has as a goal of zero fatalities, injuries, oil spills or gas leaks in all its operationed assets. It is pleased to report that there were no fatalities in 2004. Unfortunately, despite concerted efforts to operate in a safe manner, there were three LTAs in different areas of operations; in each case however, the accident was the subject of a thorough investigation, including a root cause analysis and remedial measures were put in place to prevent reoccurrence. It had no major oil spills or gas leaks in its operated assets in 2004.

Risk assessments

It is standard practice for Lundin Petroleum to carry out risks assessments for any new venture and/or new phase of operation; these include a review of potential environmental, political, security and/or social risks the Company may face in the stated venture and the measures it can adopt to mitigate those risks.

Emergency response preparedness

Lundin Petroleum has formalised its corporate Emergency Response System and put in place a dedicated Emergency Response Team (ERT)

that can be contacted 24 hours a day for any emergency occurring in any of its worldwide operations. In 2004, there were no emergencies requiring ERT mobilisation, but individual ERT members participated in emergency drills in different areas of operations.

2004 HIGHLIGHTS

HSE

The Norwegian Petroleum Safety Authority reviewed Lundin Petroleum's corporate HSE Management System and HSE practice in its French operations in connection with granting Lundin Norway SA the right to act as operator in Norway.

Health & Safety

Lundin Petroleum's subsidiary, Lundin Britain Ltd, is among the top quartile safety performers in the UK, registering a Lost Time Incident frequency rate of 0.64 per million hours worked in 2004 which is less than half industry average as calculated by the UK Offshore Operators' Association. The Thistle platform holds Lundin Petroleum's record in terms of LTA free period, i.e. 410 days.

Environment

In furtherance of its commitments under the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which seeks to minimise the potential effects of climate change through a reduction of greenhouse gas emissions, the European Union has introduced a system of emission allocations effective as of January 2005. In the first phase of this scheme, among Lundin Petroleum's operated assets only the UK are affected, however, other operations have been made aware of the scheme and the need to control emissions.

Community relations

Lundin Petroleum seeks to be well integrated in the areas where it operates. As such it participates in local community events and/or contributes to local causes. In France, it participated in a business awareness session organised by local authorities, where it presented the oil and gas business. In Indonesia, it built a water-well for the local community nearby its Padi-1 drilling site.

Stakeholder relations

Lundin Petroleum has been called upon to participate in events which examine the difficulties of operating in challenging environments. In 2004, the Company participated in a debate on "Oil and Development" at a conference in Basel, headed by the Swiss Minister of Foreign Affairs and presented Lundin Petroleum's approach in Sudan at a conference organised by the German Ministry of Foreign Affairs in Bonn, on the topic of "Security and International Development".

Relationship with operators

Lundin Petroleum maintains ongoing contacts with its partners in non-operated assets to make sure that activities are conducted in a socially and environmentally responsible way. The HSE monitoring and reporting requirement thus extends to non-operated interests and in areas such as Iran, Sudan and Venezuela, special attention is paid to the welfare of the local communities. Thus, in Iran, the consortium made a donation to alleviate effects of the earthquake in Bam, in Block 5B Sudan, a Community Development programme will commence as soon as field operations can be undertaken, while in Venezuela, the consortium has an ongoing social investment programme which contributes to improving health and education in areas neighbouring the oil fields.

All documents referred to in this section can be accessed through www.lundin-petroleum.com.

Board of directors

Left to right   Magnus Unger, Ian H. Lundin, William A. Rand, Carl Bildt, Lukas H. Lundin, Kai Hietarinta, C. Ashley Heppenstall

Ian H. Lundin, Chairman, born 1960
Other board duties: Vostok Nafta Investment Ltd.
Bachelor of Science degree in Petroleum Engineering from the University of Tulsa.
Shares in Lundin Petroleum: nil[1]
Incentive warrants: 400,000

Adolf H. Lundin, (not in photograph) Honorary Chairman, born 1932
Other board duties: Chairman of Vostok Nafta Investment Ltd.
Board member of Lundin Mining Corp., Tenke Mining 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 AB 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: Valkyries Petroleum Corp.
Bachelor of Science degree in Mathematics from the University of Durham.
Shares in Lundin Petroleum: 1,143,250
Incentive warrants: 850,000

Kai Hietarinta, Director, born 1932
Other board duties: 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
Board duties: Chairman of Tanganyika Oil Co. Ltd., Lundin Mining Corp., Canadian Gold Hunter Corp., Tenke Mining Corp.
Board member of North Atlantic Natural Resources AB, Vostok Nafta Investment Ltd., Valkyries Petroleum Corp., Redback Mining Inc., International Uranium Corporation., 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: Lundin Mining Corp., Vostok Nafta Investment Ltd., Tenke Mining Corp., International Uranium Corporation, Pender Financial Group Corporation, Dome Ventures Corporation, Canadian Gold Hunter Corp., Tanganyika Oil Co. Ltd., Valkyries Petroleum 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: 74,185
Incentive warrants: nil

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: 50,000
Incentive warrants: nil

For remunerations refer to pages 60-61; Directors' remuneration

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.

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 2004 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:

- Review and approval of the minutes from the preceding meeting;
- The Managing Director's Report regarding:
  - i. Status of the business
  - ii Prospects
  - iii Economic report
  - iv. Financial report;
- Reports from the Committees of the Board of Directors;
- Business related decisions; and
- Miscellaneous issues of material importance for the Company.

The Board had nine meetings during 2004 including the statutory meeting.

BOARD COMMITTEES
The Board has appointed four Committees of the Board, each with its clear Terms of Reference or Mandate as described below.

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 encourage and motivate performance.

Finance Committee
Members: Adolf H. Lundin (Chairman), Lukas H. Lundin and William A. Rand

The function of the Finance Committee is to provide a strategic direction to the Management of the Company. The Finance Committee receives information on the Company's performance, its future plans and financing requirements. If necessary the Committee may make recommendations to the Board with regard to any changes in corporate strategy in order to ensure that it remains relevant, 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 & Nomination Committee
Members: Ian H. Lundin (Chairman), Magus Unger, Kai Heitarinta

The function of the Governance & Nomination Committee is to oversee the Board's adherence to its Code of Governance and to identify nominees qualified to become board members. The Governance & Nomination Committee is 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 composition of the Board in order to ensure that the Board continues to perform its duties and obligations as required for the Company to remain competitive and capable of fulfilling its overall goals.

Share information

Lundin Petroleum share

Lundin Petroleum's shares are listed on the O-list, Attract 40 at the Stockholm Stock Exchange.

The registered share capital at 31 December 2004 amounts to SEK 2,535,207.66 represented by 253,520,766 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. One trading unit consists of 200 shares. An additional 227,600 shares have been issued but not registered at 31 December 2004.

Warrants

The Group operates an employee incentive scheme whereby warrants are issued to employees following approval at the Annual General Meeting (AGM). The warrants for 2004 were issued at 110% of 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 Lundin Petroleum will receive an amount of MSEK 126.9 and the number of shares will be diluted by 2%.

	2002 Programme	2003 Programme	2004 Programme
Number of warrants initially issued	3,250,000	3,400,000	2,250,000
Strike price in SEK	4.50*	10.10*	45.80
Exercisable as from	31 May 2003	31 May 2004	31 May 2005
Issued and outstanding warrants as at 31 December 2004	791,900	2,272,900	2,185,000

* *The warrants for 2002 and 2003 have been issued at the average closing price of Lundin Petroleum shares for the ten days after the AGM.*

Liquidity

High liquidity is important in attracting major investors to Lundin Petroleum's shares. During the year an average of 924,692 Lundin Petroleum shares with a value of MSEK 36,076,177 where traded daily on the Stockholm Stock Exchange.

Lundin Petroleum's share price can be monitored daily at www.lundin-petroleum.com where it is also possible to follow the Brent oil price.

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 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.

2004 Highlights

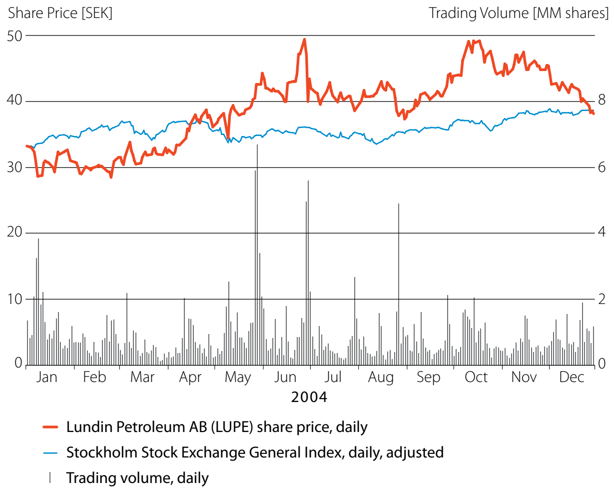
Stockholmsbörsen	Attract 40
Number of shares issued by 31 Dec 2004	253,748,366
Year high/year low	49.40/28.50
Market capitalisation by 31 Dec 2004	9.7 billion SEK
Ticker code, Reuters	LUPE.ST
Bloomberg	LUPE SS

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 satisfy the immediate capital requirements of Lundin Petroleum.

Lundin Petroleum has major capital expenditure requirements, particularly in the United Kingdom, Norway and Tunisia 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 incorporated in May 2001 and up to 31 December 2004 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	November 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
Incentive warrants	2004	0.01	247,300	251,772,766	2,517,727.66	3.37
Incentive warrants	2004	0.01	848,500	252,621,266	2,526,212.66	4.50
Incentive warrants	2004	0.01	1,127,100	253,748,366	2,537,483.66	10.10
Total			**253,748,366**	**253,748,366**	**2,537,484**	

Share ownership structure

The 15 largest shareholders according to VPC, 31 March 2005.

Shareholders as at 31 March 2005	Numbers of shares	Subscription capital/votes,%
Lorito Holdings Ltd.	71,435,168	28.1
Landor Participations Inc	15,407,456	6.1
Mourgue d'Algue et Cie	7,501,400	2.9
Handelsbankens fonder	4,030,373	1.6
Roburs fonder	3,925,176	1.5
JP Morgan Chase Bank	3,438,912	1.4
State Street Bank	2,628,286	1
Bertil Gylling	2,345,000	0.9
SEB Trygg Liv	2,036,000	0.8
Första AP-fonden	1,963,400	0.8
Nordea fonder	1,875,250	0.7
Natexis Banques Popularies	1,788,412	0.7
Andra AP-fonden	1,506,000	0.6
Pictet & Cie	1,619,761	0.6
Skandia	1,400,585	0.6
Other Shareholders	131,715,087	51.7
Total	**254,616,266**	**100**

Distribution of shareholdings

Distribution of shareholdings in Lundin Petroleum according to VPC, 31 March 2005.

Size categories as at 31 March 2005	Numbers of shareholders	Percentage of shares,%
1-500	19,631	1.4
501-1,000	5,285	1.8
1,001-10,000	6,998	8.6
10,001-50,000	828	7.0
50,001-100,000	120	3.3
100,001-	148	77.95
Total	**33,011**	**100.0**

Analyst coverage

Broker	Analyst
ABG Sundal Collier	Oystein Oyehaug oystein.oyehaug@abgsc.no
Enskilda Securities	Julian Beer Julian.beer@enskilda.se
Swedbank Markets	Alexander Vilval alexander.vilval@swedbank.com
Öhman Fondkomission	Johan Gahm johan.gahm@ohman.se

Key financial data

Financial year ended 31 December	2004	2003
Return on equity, %[1]	29	67
Return on capital employed, %[2]	31	50
Debt/equity ratio, %[3]	44	-
Equity ratio, %[4]	41	69
Share of risk capital, %[5]	61	78
Interest coverage ratio, %[6]	1,742	1,559
Operating cash flow/interest ratio[7]	2,831	1,011
Yield[8]	-	-
Shareholders' equity SEK per share[9]	9.49	7.38
Operating cash flow SEK per share[10]	5.92	2.52
Cash flow from operations SEK per share[11]	4.63	0.98
Earnings SEK per share[12]	2.45	3.73
Earnings SEK per share fully diluted[13]	2.43	3.71
Dividend per share	-	-
Quoted price at the end of the financial year (regards the Parent Company), SEK	38.20	34.30
Number of shares at year end	253,748,366	251,525,466
Weighted average number of shares for the year[14]	252,727,926	249,401,389
Weighted average number of shares for the year (fully diluted)[14]	255,134,255	251,041,951

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.

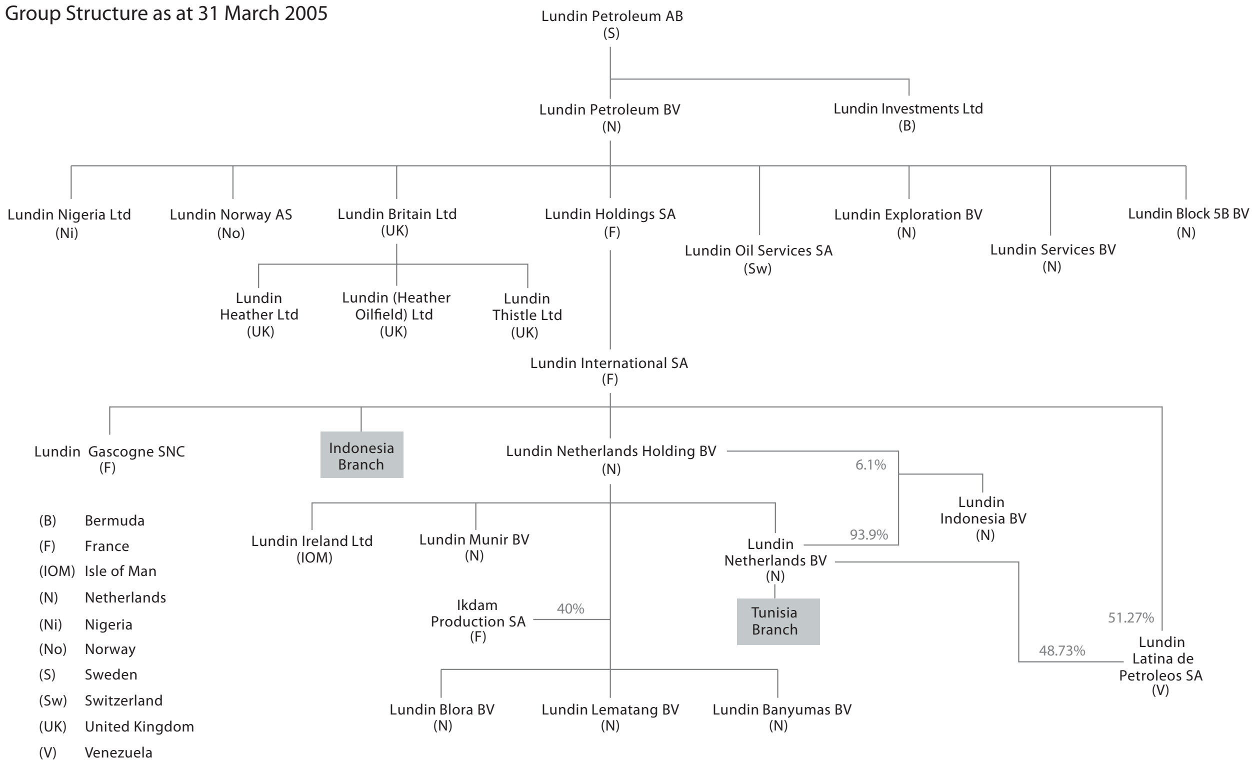
13 Earnings SEK per share fully diluted is defined as the Group's net result divided by the weighted average number of shares for the year after considering the dilution effect of outstanding warrants.

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.

Administration report

LUNDIN PETROLEUM AB (PUBL) REG NO. 556610-8055 (AMOUNTS IN TSEK UNLESS OTHERWISE STATED)

Group Structure as at 31 March 2005



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 2004 – 31 December 2004.

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 Nya Marknaden (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 1 July 2004 Lundin Petroleum AB was transferred to the Attract 40 list.

On 19 September 2002 the Company completed the acquisition of 95.3% 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% of OER oil AS. OER oil AS subsequently acquired interests in two producing fields offshore Norway and a 100% interest in OER energy AS (formerly called Aker Energy AS). On 23 November 2004, Lundin Petroleum divested its shareholding in OER oil AS to Endeavour International.

On 13 February 2004, Lundin Petroleum completed the acquisition from DNO ASA of its UK and Irish oil and gas interests. On 17 June 2004, Lundin Petroleum completed the acquisition of certain Norwegian assets from DNO ASA.

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. During

2004, reserves were acquired through the purchase of all of the UK and Irish assets 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.

PRODUCTION AND DEVELOPMENT

United Kingdom

The acquisition of DNO's UK assets was completed on 13 February 2004.

The Broom field development (working interest 55%) achieved first oil in August 2004. The three production and two water injection wells have now been successfully completed. The second water injection well unexpectedly encountered oil bearing, rather than water bearing, sands. The Broom field is expected to produce in excess of 25,000 boepd during 2005.

The North Terrace field which is an undeveloped satellite to the Broom field will be brought on production in 2005 with the drilling and completion of the first production well. In addition, it is now likely that a fourth production well will be drilled during 2005 on the Broom field. It is expected that these wells will be drilled during the second and third quarter of 2005 and will have a positive impact on overall production in the second half of the year. The work associated with the debottlenecking of Heather platform facilities to allow production capacity to increase above 30,000 boepd is ongoing.

Production from the Heather (working interest 100%) and Thistle (working interest 99%) fields was below forecast for 2004. Heather was negatively impacted by shutdowns in relation to facilities modifications required as part of the Broom field development. However the ongoing work-over programme on the Thistle field has had a very positive impact on production in late 2004 as a result of a significant increase in water injection capacity.

The Broom partners pay a processing tariff to Heather which is expected to contribute to a long term and profitable future for the Heather field.

Norway

Lundin Petroleum has recruited a team of experienced technical personnel in the new Oslo office to manage the assets acquired from DNO and grow the business in Norway organically.

During the fourth quarter of 2004, Lundin Petroleum was successfully awarded interests in three new exploration licences on the Norwegian Continental Shelf. In addition, an interest in a licence was acquired from ExxonMobil. Lundin Petroleum will be proactively working these interests with a view to carry out a drilling campaign in 2006.

Lundin Petroleum received development approval for the Alvheim project located in PL203 (working interest 15%) in 2004. The 180 million boe development is progressing and is expected to start production at 85,000 boepd gross in early 2007. As a result of technical reviews of the Alvheim seismic Lundin Petroleum believes that there is upside associated with current Alvheim reserves and a well in 2005 on the East Kamelion structure will target part of this upside. The Alvheim project will also process hydrocarbons from the nearby Vilje discovery earning further revenues for the Alvheim partners.

The Hamsun exploration well in PL150 (working interest 35%) drilled in 2004 is a significant discovery. The discovery is to the south of Alvheim and whilst development plans studies are still ongoing it is likely that the discovery will be tied back to the Alvheim facilities.

The production from the Jotun field (working interest 7%) offshore Norway was negatively impacted in the fourth quarter by a pipeline incident which resulted in lower production than forecast.

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

France

In the Paris Basin the production was in excess of expectations during 2004. The mature fields continue to be proactively managed to maximise production. The second stage of development on the Merisier field (working interest 100%) has been successfully completed with production start-up in November 2004. The development which involved the drilling of two new horizontal wells will add incremental production of approximately 700 bopd.

In the Aquitaine Basin the development drilling results have been disappointing and as a result the production from the Aquitaine Basin was well below expectations in 2004. The Mimosa exploration well (working interest 50%) was a discovery and limited production will commence in early 2005 with oil being trucked to export facilities followed by a full development with pipeline tie-in.

A new exploration licence (Nemours, working interest 33.3%) has been awarded to Lundin Petroleum as operator and a well is planned to be drilled in 2005.

Indonesia

Banyumas (Java): The Jati-1 exploration well will be drilled in the third quarter 2005 on Banyumas . In 2004 a farm-out agreement was finalised between Star Energy, Lundin Petroleum and ConocoPhillips. Under the agreement, Star Energy acquired a 25% interest from each of Lundin Petroleum and ConocoPhillips by agreeing to fund the entire costs of the Jati-1 exploration well leaving Lundin Petroleum with a 25% interest in Banyumas. The Jati-1 well will test a large prospect in a relatively under explored basin onshore southern Java.

Blora (Java): The Padi-1 exploration well was plugged and abandoned after encountering non-commercial quantities of hydrocarbons. Prior to drilling the well Lundin Petroleum completed an agreement with Kufpec who acquired a 40% working interest in the concession and funded a part of Lundin Petroleum's well costs.

Lematang (South Sumatra): The Banteng exploration well was plugged and abandoned as a dry hole.

The development of the Singa gas field containing gas reserves of 300 bcf gross is expected to commence in 2005.

Salawati Island and Basin (Papua): Production from Salawati was slightly below expectations for 2004. Following completion of a 3D seismic acquisition, a continuous exploration and development drilling programme was completed in 2004 resulting in several exploration successes. This drilling programme will continue in 2005, including the development of the offshore TBA field, which is forecast to have a positive impact on Salawati production.

The Netherlands

Gas production from the Netherlands was above expectations in 2004. However development drilling in the Zuidwal field was completed in the fourth quarter with disappointing results.

The Luttelgeest-1 exploration well on the onshore Lemmer Marknesse permit which is targeting a large gas prospect was drilled and suspended. The well will be tested in mid-2005 when special equipment will become available.

Tunisia

Oil production from the Isis field (working interest 40%) was slightly below expectation during 2004. Debottlenecking of production facilities on the Isis field was completed during the second half of 2004 and is having a positive impact on production.

Progress has been made in relation to the development of the Oudna field (working interest 50%), offshore Tunisia which involves the redeployment of the Ikdam FPSO from the Isis field to the Oudna field. The Oudna field development plan received government approval in 2004 and commercial arrangements with the state owned oil company ETAP related to the redeployment are substantially complete. It is planned to drill a production and an injection well on Oudna prior to redeployment of the FPSO.

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

Venezuela

Production from the Colón Block was below expectations in 2004 due to the delays in further development drilling on the La Palma field. However development drilling on the La Palma field is ongoing and having a positive impact on production levels.

The plans for exploration drilling on the Colón Block, where there is significant upside potential, have not progressed due to administrative delays.

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

Ireland

Lundin Petroleum agreed in 2004 to sell its 12.5% interest in the Seven Heads Gas project plus its other Irish licence interests to Island Oil & Gas plc for a consideration of 4 million shares of Island Oil & Gas corresponding to a market value at 31 December 2004 of approximately MGBP 3.0. Completion of the deal is expected to take place in the first half of 2005.

In early 2005 Lundin Petroleum acquired a new exploration licence in the Donegal Basin (working interest 35%) . It is expected that Inishbeg, a large gas prospect will be drilled in 2006.

EXPLORATION

Nigeria

In January 2005 Lundin Petroleum entered into an agreement to acquire a 22.5% net revenue interest in OML 113 offshore Nigeria containing the Aje oil and gas discovery. An appraisal well will be drilled on the Aje structure in 2005 and has the potential to confirm significant volumes of additional oil and gas reserves which have been identified from recent seismic reprocessing.

Sudan

A comprehensive peace agreement was signed in Sudan on 9 January 2005 between the government and the Sudan People Liberation Movement/Army (SPLM/A) Whilst there continues to be no operational activity in Block 5B (working interest 24.5%) we believe that the signing of the peace agreement will allow operations to resume in the near future with the objective of testing the numerous large prospects located in Block 5B.

Administration report

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

Iran
The two explorations wells drilled on the Munir Block were unsuccessful. No further operational activity is planned on the Block at this time.

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 programmes. The Group has no operations in Sweden.

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

REPORT ON BOARD ACTIVITIES
Lundin Petroleum's Board of Directors, 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. Nine 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 19 May 2004 all serving Directors were re-elected.

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. In January 2005 Chris Bruijnzeels was appointed Vice President Reservoir and Production. Marco Zanella left the company in January 2005. Andrew Harber, Deputy Vice President, left the role of Vice President Corporate Services in March 2005 when the role was withdrawn and the functions of this role were redistributed among other positions.

FINANCIAL STATEMENTS
The results for the consolidated financial statements of Lundin Petroleum AB are presented for the year ended 31 December 2004. On 13 February 2004 Lundin Petroleum completed the acquisition of Lundin Britain Ltd (formerly DNO Britain Ltd) and Lundin Ireland Ltd (formerly Island Petroleum Developments Ltd). On 17 June 2004 Lundin Petroleum completed the acquisition of certain Norwegian assets of DNO ASA through its subsidiary Lundin Norway AS. The results of these companies and the Norwegian assets are included within the year ended 31 December 2004 from the date of acquisition. On 23 November 2004, Lundin Petroleum completed the sale of the 75% owned Norwegian subsidiary OER oil AS. The results of OER are included until this date.

OPERATING RESULTS
(Numbers in parentheses represent the comparative period)

The Group
Lundin Petroleum reports a profit for the year ended 31 December 2004 of MSEK 620.2 (MSEK 930.2) and an operating cash flow of MSEK 1,502.8 (MSEK 634.6).

Net sales of oil and gas for the year ended 31 December 2004 amounted to MSEK 2,381.6 (MSEK 1,082.1). Production for the year ended 31 December 2004 amounted to 9,755,455 (5,790,546) barrels of oil equivalent (boe) representing 28,921 (16,062) boe per day. The average price achieved for a barrel of oil equivalent for the year ended 31 December 2004 amounted to USD 37.67 (27.35).

The sales for the year ended 31 December 2004 were comprised as follows:

Sales Average price per barrel given in USD	**1 Jan 2004 – 31 Dec 2004 12 months**	1 Jan 2003 – 31 Dec 2003 12 months
United Kingdom		
- Quantity in boe	3,674,000	–
- Average price per boe	41.75	–
France		
- Quantity in boe	1,563,576	1,436,709
- Average price per boe	36.90	27.71
Norway		
- Quantity in boe	870,746	690,466
- Average price per boe	37.92	28.69
Netherlands		
- Quantity in boe	948,548	864,687
- Average price per boe	25.43	24.87
Indonesia		
- Quantity in boe	579,522	727,139
- Average price per boe	34.79	27.57
Tunisia		
- Quantity in boe	677,923	723,976
- Average price per boe	38.65	28.12
Ireland		
- Quantity in boe	121,371	–
- Average price per boe	26.24	–
Total		
- Quantity in boe	**8,435,686**	4,442,977
- Average price per boe	**37.67**	27.35

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 a service fee. The fee earned for 2004 amounted to MSEK 114.8 (MSEK 102.2) following the delivery of 837,648 boe (869,430 boe). An additional part of the fee is for interest on unrecovered capital expenditure which amounted to MSEK 3.4 (MSEK 3.7) and is included in the financial statements within interest income.

Lundin Petroleum had entered into oil price hedging contracts for the production of 2,000 bopd in 2004 such that in respect of this production the Group would receive USD 18.00 per barrel if the Dated Brent oil price fell below USD 18.00 per barrel and would receive USD 25.15 if the Dated Brent oil price exceeded USD 25.15 per barrel. The Group would receive the market price if Dated Brent traded between these two prices. For the period 1 March 2004 until 31 December 2004, the Group had entered into an additional oil price hedge for 3,000 bopd at a fixed price of USD 29.20 per barrel Dated Brent. The average Dated Brent price for the year ended 31 December 2004 amounted to USD 38.27 (USD 28.95) per barrel resulting in a post-tax negative hedge settlement of MSEK 97.1 (MSEK 20.1).

Other operating income for the year ended 31 December 2004 amounted to MSEK 124.3 (MSEK 38.4). This amount includes tariff income from the United Kingdom, France and the Netherlands and income for maintaining strategic inventory levels in France. Tariff income for the year ended 31 December 2004 has increased following the commencement of production from the Broom field. The tariff income recorded for the Broom field for the year ended 31 December 2004 amounted to MSEK 51.4 and represents the 45% of the Broom field tariff paid by partners. Also included for the year ended 31 December 2004, is an amount relating to insurance proceeds received for the French operations amounting to MSEK 12.4 for settlement of an insurance claim relating to 1999 and the portion of operational overhead charge that is paid to Lundin Petroleum by partners.

The production for the year ended 31 December 2004 was comprised as follows:

Production	**1 Jan 2004 – 31 Dec 2004 12 months**	1 Jan 2003 – 31 Dec 2003 12 months
United Kingdom		
- Quantity in boe	3,973,761	–
- Quantity in boepd	12,341	–
France		
- Quantity in boe	1,561,409	1,517,749
- Quantity in boepd	4,266	4,158
Norway		
- Quantity in boe	898,519	778,012
- Quantity in boepd	3,189	2,329
Netherlands		
- Quantity in boe	948,548	871,994
- Quantity in boepd	2,592	2,389
Venezuela		
- Quantity in boe	827,492	869,430
- Quantity in boepd	2,261	2,382
Indonesia		
- Quantity in boe	840,167	902,338
- Quantity in boepd	2,296	2,472
Tunisia		
- Quantity in boe	574,042	851,023
- Quantity in boepd	1,568	2,332
Ireland		
- Quantity in boe	131,517	–
- Quantity in boepd	408	–
Total		
- Quantity in boe	**9,755,455**	5,790,546
- Quantity in boepd	**28,921**	16,062
Number of days production		
UK	322	–
Ireland	322	–
DNO's Norwegian assets	197	–
OER sale	328	334

Production costs for the year ended 31 December 2004 amounted to MSEK 1,112.1 (MSEK 419.9). Costs of operations amounted to MSEK 910.1 (MSEK 320.1) for the year ended 31 December 2004. Tariff expenses amounted to MSEK 118.7 (MSEK 83.1) for the year ended 31 December 2004. Royalty and production taxes are direct cash taxes levied on production. The charge for royalty and direct taxes amounted to MSEK 28.0 (MSEK 26.0) for the year ended 31 December

2004. Changes in inventory position relate to the movement of inventories of hydrocarbons and operational supplies. The change in inventory position amounted to a charge to the production costs of MSEK 4.7 (MSEK -38.0) for the year ended 31 December 2004.

Depletion of oil and gas properties for the year ended 31 December 2004 amounted to MSEK 381.3 (MSEK 192.0. The depletion charge has increased from 2003 due to the inclusion of the depletion charge for the UK fields of MSEK 175.7 following the commencement of production from the Broom field.

Production costs for the year ended 31 December 2004 expressed in US dollars were comprised as follows:

Production cost and depletion in TUSD	**1 Jan 2004 – 31 Dec 2004 12 months**	1 Jan 2003 – 31 Dec 2003 12 months
Cost of operations	124,006	39,309
Tariff and transportation expenses	16,173	10,276
Royalty and direct taxes	3,821	3,511
Changes in inventory/overlift	7,525	-1,143
Total production costs	**151,525**	51,953
Depletion	51,946	23,755
Total	**203,471**	75,708

Cost per boe given in USD	**1 Jan 2004 – 31 Dec 2004 12 months**	1 Jan 2003 – 31 Dec 2003 12 months
Cost of operations	12.71	6.79
Tariff and transportation expenses	1.66	1.77
Royalty and direct taxes	0.39	0.61
Changes in inventory/overlift	0.77	-0.20
Total production costs	15.53	8.97
Depletion	5.32	4.10
Total	**20.85**	13.07

On 27 December 2004, Lundin Petroleum announced the results of its second well of its two well exploration programme in Iran. Having not discovered commercial quantities of hydrocarbons in either well, the decision has been made to write off the costs incurred to date in Iran due to the unlikelihood of recovering them from ongoing Iranian operations. The cost related to Iran amounted to MSEK 132.1 and are included in write off of oil and gas properties.

On 23 November 2004, Lundin Petroleum completed the sale of its investment in the Norwegian company OER oil AS for MSEK 189.9 recording an accounting profit of MSEK 98.2. 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 2004 amounted to MSEK 17.7 (MSEK 7.2) and represents fees and costs recovered by Lundin Petroleum from third parties.

General and administrative expenses for the year ended 31 December 2004 amounted to MSEK 119.3 (MSEK 148.7). Included within general and administration expenses for 2004 is the start up cost of Lundin Petroleum's new Norwegian operation established to manage the acquired assets and further develop the Norwegian operations. Included within general and administrative expenses in the twelve month period of 2003 are costs incurred of MSEK 12.1 relating to the acquisition of Coparex. These costs included 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 2004 amounted to MSEK -1.5 (MSEK -50.5). Interest income for the year ended 31 December 2004 amounted to MSEK 11.5 (MSEK 11.4). Interest income mainly comprises of interest received on a loan to an unconsolidated associated company for an amount of MSEK 2.6 (MSEK 2.8) and part of the fee received from Venezuela which is treated as interest income for an amount of MSEK 3.4 (MSEK 3.8). Interest expense for the year ended 31 December 2004 amounted to MSEK 38.9 (MSEK 25.6). The impact of the interest rate hedge for the year ended 31 December 2004 amounted to a gain of MSEK 3.0 (MSEK -37.2). Included is the release of a provision in relation to an interest rate swap on a loan to fund the Coparex acquisition. At the time of the acquisition, Lundin Petroleum entered into a four year interest rate swap to fix the interest rate associated with those borrowings. Following the repayment and cancellation of the credit facility in 2003 on the sale of Sudan Block 5A it was necessary to revalue the interest rate swap and provide for any diminution in value. In 2004, this provision has been released for an amount of MSEK 17.2.

The amortisation of financing fees amounted to MSEK 7.2 (MSEK 15.9) for the year ended 31 December 2004. The financing fees are in relation to the bank facility and are amortised over the life of the loan facility. In 2003, the entire fees capitalised were expensed following the repayment of the loan facility in the second quarter of 2003.

Exchange gains and losses, net, for the year ended 31 December 2004 amounted to MSEK 36.1 (MSEK 11.4). The exchange gains for the year ended 31 December 2004 are mainly the result of the revaluation of the USD loan outstanding into the EUR and NOK reporting currency of the entities in which the funds were drawn.

The tax charge for the year ended 31 December 2004 amounted to MSEK 244.5 (MSEK 79.9).

The current corporation tax benefit for the year ended 31 December 2004 amounted to MSEK 46.1 (MSEK -45.7) and comprised a current corporation tax benefit in the Netherlands of MSEK 78.9 offset by current corporation tax charges in, amongst others, France, Indonesia and Venezuela. The current corporation tax benefit in the Netherlands is the net result of a tax charge for the year of MSEK 16.9 (MSEK 13.6) offset by the utilisation of tax losses of MSEK 95.8. The tax losses utilised relate to the write off of the investment in the Irish development project.

The deferred corporation tax charge for the year ended 31 December 2004 amounts to MSEK 298.5 (MSEK 19.8). The deferred corporation tax charge comprises a charge of MSEK 147.7 in the UK for the utilisation of tax losses acquired with the UK companies and tax allowances generated from the capitalised expenditure incurred on the UK fields, a charge of MSEK 34.7 in Norway for the use of the tax losses acquired by OER oil AS in 2003 and a charge of MSEK 76.8 in the Netherlands for the utilisation of tax losses relating to the write off of the investment in the Irish development project

The petroleum tax benefit for the year ended 31 December 2004 amounts to MSEK 62.9 (MSEK -20.3). Following the finalisation of a tax audit in the Netherlands, the Group received a credit of petroleum tax paid of MSEK 17.0 offsetting a petroleum tax charge for the year of MSEK 13.6 (MSEK 20.3) resulting in a net petroleum tax benefit of MSEK 3.4. The Thistle field, offshore UK, is the only field owned that operates within the UK Petroleum Revenue Tax (PRT) regime. Expenditure on the Thistle field, capitalised during the year but deductible for PRT purposes has resulted in a PRT tax benefit of MSEK 59.6.

The deferred petroleum tax charge for the year ended 31 December 2004 amounts to MSEK 55.1 (MSEK -5.9). The expenditure incurred on the Thistle field that has been capitalised for accounting purposes will be depleted in future accounting periods and as such, a deferred PRT charge of MSEK 59.1 has been recorded. There has been a release of deferred petroleum tax relating to the Netherlands of MSEK 4.0 (MSEK 5.9).

INVESTMENTS AND FINANCIAL CONDITION

Tangible fixed assets

Tangible fixed assets as at 31 December 2004 amounted to MSEK 4,378.9 (MSEK 1,873.0). The book value of oil and gas properties as at 31 December 2004 amounted to MSEK 4,340.9 (MSEK 1,817.6). The acquisition of the offshore UK, Irish and Norwegian producing assets from DNO ASA was recorded at a cost of MSEK 2,194.9. The Group invested MSEK 1,187.8 (MSEK 285.8) in oil and gas properties during the year ended 31 December 2004. Investments in production cost pools during the year ended 31 December 2004 amounted to MSEK 1,099.2 (MSEK 206.4) and MSEK 88.6 (MSEK 79.4) in relation to non-production cost pools. Following the results of two exploration wells on the Munir Block, Iran, the capitalised expenditure has been fully written off for an amount of MSEK 132.1. 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 2004 amounted to MSEK 38.0 (MSEK 55.4). During the fourth quarter of 2004 Lundin Petroleum completed the sale of the Paris property acquired in the Coparex acquisition.

Financial fixed assets

Financial fixed assets as at 31 December 2004 amounted to MSEK 481.0 (MSEK 134.0). Included in financial fixed assets as at 31 December 2004 is an amount of MSEK 35.7 (MSEK 56.6) recorded as restricted cash, comprising two cash deposits held as collateralisation of bank guarantees to cover future joint venture work commitments in Sudan and Iran. Included in the comparative amount is an amount of MSEK 17.8 or MNOK 16.5 representing cash deposited as security for future site restoration costs for fields held offshore Norway by OER oil AS.

Shares in associated companies of MSEK 21.2 (MSEK 21.3) relates primarily to an investment in a company owning gas infrastructure in The Netherlands.

Deferred financing fees amounted to MSEK 21.8 (MSEK nil) as at 31 December 2004. The deferred financing fees relate to the cost of the bank credit facility and are being amortised over the period of the loan.

A deferred tax asset of MSEK 396.3 (MSEK 48.0) has been recorded as at 31 December 2004 to recognise the tax loss carry forwards within the Group. Deferred tax assets on tax loss carry forwards are only recorded when there is a reasonable certainty of utilising them against future taxable income. The deferred tax asset mainly comprises the tax loss carry forward in the United Kingdom for an amount of MSEK 240.7 (MSEK nil), the tax loss carry forward in Tunisia for an amount of MSEK 15.9 (MSEK nil), tax losses carry forward in France for an amount of MSEK 28.0 (MSEK nil) and the tax loss carry forward in Norway for an amount of MSEK 110.1 (MSEK nil). The comparative amount comprises tax loss carry forward held by OER oil AS for an amount of MSEK 48.0.

Other financial fixed assets amount to MSEK 6.0 (MSEK 8.1) and are funds held by joint venture partners in anticipation of future expenditures.

Current receivables and inventories

Current receivables and inventories amounted to MSEK 757.1 (MSEK 392.8) as at 31 December 2004. Inventories, including hydrocarbons and consumable well supplies amounted to MSEK 88.6 (MSEK 71.7) as at 31 December 2004. Trade receivables amounted to MSEK 415.8 (MSEK 131.2) as at 31 December 2004. The increase in this item is primarily due to the inclusion of the UK assets and significantly, the Broom field which came on stream during the third quarter of 2004. Taxes receivable amounted to MSEK 117.6 (MSEK 69.1) and joint venture debtors amounted to MSEK 74.1 (MSEK 73.0).

Cash and bank

Cash and bank as at 31 December 2004 amounted to MSEK 268.4 (MSEK 301.6). During the first quarter of 2004 MSEK 182.6 of cash was utilised in the acquisition of Lundin Britain Ltd and Lundin Ireland Ltd. Cash generated from operations and from the sale of Lundin Petroleum's shareholding in OER oil AS were used to repay external bank debt. Cash balances remained relatively constant during 2004.

Minority interest

Minority interest amounts to MSEK 2.9 (MSEK 20.0) as at 31 December 2004. The minority interest as at 31 December 2004 represents the portion of fully consolidated subsidiaries not owned by Lundin Petroleum. Lundin Petroleum owns 99.8% of Lundin International SA. The comparative amount includes 24.2% of OER oil AS not owned by Lundin Petroleum.

Provisions

As at 31 December 2004, provisions amounted to MSEK 1,502.5 (MSEK 377.5). This amount includes a provision for site restoration of MSEK 296.0 (MSEK 110.6) and a provision for deferred tax of MSEK 1,170.9 (MSEK 242.0). The increase in provisions for site restoration as well as the increase in the provision for deferred tax from 31 December 2003 is primarily due to the acquisition of the UK and Irish assets from DNO.

Lundin Petroleum entered into a four year interest rate swap to reduce the financial risk of rising interest rates. Following the repayment and cancellation of the credit facility in 2003 accounting rules required the recording of the market value of the swap. A provision has been recorded at 31 December 2004 of MSEK 1.4 (MSEK 18.5) to recognise this potential cost.

Due to changes in accounting principles the pension liability of the Company in relation to a pension to be paid to Mr. Adolf H. Lundin has been accounted for during 2004. The provision has been accounted for directly against the opening balance of the Company's shareholders' equity as per 1 January 2004 for an amount of MSEK 15.7. As at 31 December 2004, the pension provision amounted to MSEK 14.5.

LONG TERM LIABILITIES

Long term liabilities as at 31 December 2004 amounted to MSEK 1,343.0 (MSEK 0.1). On 16 August 2004, Lundin Petroleum entered into a seven-year credit facility agreement to borrow up to MUSD 385. Under the facility the Company has utilised MUSD 35 as Letters of Credit in support of future site restoration costs payable to former owners of the Heather field, offshore UK, and cash drawings of MUSD 271.0. Repayments were made against the facility in the fourth quarter of 2004 amounting to MUSD 68.2.

CURRENT LIABILITIES

Current liabilities as at 31 December 2004 amounted to MSEK 641.4 (MSEK 449.6). Included within current liabilities are other current liabilities for an amount of MSEK 245.6 (MSEK 262.2), which contain an amount of MSEK 37.1 (MSEK 52.1) for an acquisition liability 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. The comparative amount included an amount of MSEK 86.7 for the balance outstanding for the acquisition of OER energy AS (formerly Aker Energy AS).

LIQUIDITY

As at 31 December 2004 the Group's available cash position amounted to MSEK 268.4 (MSEK 301.6) with a further amount of cash of MSEK 35.7 (MSEK 56.6) held as collateral for bank guarantees to cover exploration work commitments and future site restoration costs.

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

The Group is contractually committed under various concession agreements to complete various exploration work programmes. Management estimate that the total commitment under these agreements is approximately MSEK 291.7 of which third parties who are joint venture partners have contractually agreed to contribute approximately MSEK 203.0, resulting in the Group's share amounting to MSEK 88.7. Of this amount, it is estimated that MSEK 22.6 will be fulfilled during 2005.

FINANCIAL INSTRUMENTS

The Group has entered into interest rate hedging contracts commencing on 1 January 2003 to tie the LIBOR based floating rate part of the Company's USD borrowings to a fixed LIBOR rate of interest of 3.49% pa. for a period of four years. The USD borrowings were repaid during the second quarter of 2003 but the interest rate hedging contracts continue to remain in place. The amount hedged reduced to MUSD 85 on 2 January 2005 with further reductions to this amount at half year intervals.

On 11 March 2004, following the drawdown of funds under the loan facility to finance the DNO acquisition, the Group entered into a further interest rate hedging contract to fix the LIBOR rate of interest on MUSD 40.0 at 2.32% for a period of three years.

As part of the bank financing agreement for the Coparex acquisition, the Group entered into oil price hedges for part of its oil production from France. The contracts related to the production of 2,000 bopd for the period 1 January 2004 to 31 December 2004 such that in respect of this production the Group will receive USD 18.00 per barrel if the Dated Brent oil price falls below USD 18.00 per barrel and will receive USD 25.15 if the Dated Brent oil price exceeds USD 25.15 per barrel. The Group will receive the market price if Dated Brent trades between these two prices.

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

During 2004 the Group entered into further oil hedging contracts for the calendar year 2005 for 6,000 bopd fixing the price at an average of USD 29.00 per barrel Dated Brent.

In January 2005 the Group entered in a number of oil hedging contracts for the period 1 February 2005 until 31 December 2005 for 5,000 bopd fixing the price at an average of USD 45.00 per barrel Dated Brent.

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

In January 2005 the Group entered into a number of currency hedging contracts for 2005 fixing the rate of exchange from USD into GBP, Euros, NOK and CHF. The contracts run from 20 February 2005 until 20 November 2005. The total amount hedged amounts to MUSD 98.3, of which MUSD 66.2 relates to GBP and MUSD 17.6 relates to Euro.

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 2004, the accounting principles in the Annual Report have 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. The effects of implementing the IFRS recommendations will pertain mainly to financial instruments. The effects of IFRS are further explained on pages 62-63.

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 Parent Company mainly acts as an holding company.

The net loss for the Parent Company amounted to MSEK 18.0 (MSEK 150.1) for the year ended 31 December 2004. The loss comprised administrative expenses of MSEK 60.5 (MSEK 71.3) offset by net financial income and expenses of MSEK 30.8 (MSEK -80.4). Financial income included interest income derived from loans to subsidiary companies amounting to MSEK 29.9 (MSEK 27.3) and net exchange gains of MSEK 0.5 (MSEK -120.3). The comparative amount 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.

The movement in financial fixed assets and cash and bank during the year relates to loans issued to subsidiary companies.

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

DIVIDEND

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

TREATMENT OF RESULT

The Group's unrestricted equity amounts to TSEK 1,435,660. 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 17,961 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 cash flow, statement of changes in equity and related notes. The Company's annual report will be presented to be adopted at the Annual General Meeting which will be held in Stockholm on 19 May 2005.

Income statement

CONSOLIDATED AND PARENT COMPANY INCOME STATEMENT FOR THE FINANCIAL !YEAR ENDED 31 DECEMBER 2004

TSEK	Note	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Operating income					
Net sales of oil and gas		2,381,632	1,082,136	–	–
Other operating income		124,281	38,369	11,547	1,119
	1	**2,505,913**	1,120,505	**11,547**	1,119
Cost of sales					
Production costs	2	-1,112,118	-419,911	–	–
Depletion of oil and gas properties	9	-381,252	-192,002	–	–
Write off of oil and gas properties	3, 9	-135,936	-2,395	–	–
		-1,629,306	-614,308	**–**	–
Gross profit	1	**876,607**	506,197	**11,547**	1,119
Gain on sale of assets		98,192	720,098	–	–
Other income		17,710	7,161	213	396
General, administration and depreciation expenses	4,10	-119,267	-148,684	-60,516	-71,302
Restructuring costs	23	–	-16,263	–	–
		-101,557	-157,786	**-60,303**	-70,906
Operating profit/(loss)		**873,242**	1,068,509	**-48,756**	-69,787
Result from financial investments					
Interest and other financial income	5	58,492	34,822	30,795	40,221
Interest and other financial expenses	6	-60,033	-85,348	–	-120,581
		-1,541	-50,526	**30,795**	-80,360
Profit/(loss) before tax and minority interest		**871,701**	1,017,983	**-17,961**	-150,147
Corporation tax	7	-252,402	-65,468	–	–
Petroleum tax	7	7,867	-14,413	–	–
		-244,535	-79,881	**–**	–
Minority interests	8	-7,012	-7,873	–	–
NET RESULT		**620,154**	930,229	**-17,961**	-150,147
Earnings per share – SEK		**2.45**	3.73	**-0.07**	-0.60
Diluted earnings per share – SEK		**2.43**	3.71	**-0.07**	-0.60

Balance sheet

CONSOLIDATED AND PARENT COMPANY BALANCE SHEET AT 31 DECEMBER 2004

TSEK	Note	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
ASSETS					
Tangible fixed assets					
Oil and gas properties	9	4,340,876	1,817,606	–	–
Office equipment and other assets	10	38,001	55,356	–	95
		4,378,877	1,872,962	**–**	95
Financial fixed assets					
Shares in subsidiaries	11	–	–	184,491	184,491
Shares and participations	12	21,153	21,328	–	–
Long term receivables	13	–	–	615,545	570,372
Restricted cash	14	35,722	56,585	–	–
Deferred financing fees	15	21,797	–	–	–
Deferred tax asset	16	396,347	47,983	–	–
Other financial fixed assets	17	6,022	8,122	–	–
		481,041	134,018	**800,036**	754,863
Current assets					
Inventories	18	88,568	71,666	–	–
Trade receivables		415,774	131,188	2	75
Prepaid expenses and accrued income	19	11,790	2,828	158	472
Current receivables	20	252,738	189,972	3,294	11,808
Cash and bank		268,377	301,589	10,289	112,609
		1,037,247	697,243	**13,743**	124,964
TOTAL ASSETS		**5,897,165**	2,704,223	**813,779**	879,922
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Restricted equity					
Share capital		2,537	2,515	2,537	2,515
Restricted reserves/Share premium reserve		969,178	984,112	824,163	958,297
Unrestricted equity					
Retained earnings		815,506	-59,924	–	–
Net result		620,154	930,229	-17,961	-150,147
		2,407,375	1,856,932	**808,739**	810,665
Minority interest	8	**2,931**	20,036	**–**	–
Provisions					
Site restoration	21	296,024	110,643	–	–
Pension	22	14,518	-	–	–
Deferred tax	7	1,170,890	241,967	–	–
Other provisions	23	21,018	24,895	–	–
		1,502,450	377,505	**–**	–
Long-term liabilities					
Bank loans	24	1,343,021	–	–	–
Other long term liabilities		–	118	–	–
		1,343,021	118	**–**	–
Current liabilities					
Trade payables		72,701	71,640	643	3,310
Liabilities to Group companies		-	-	93	62,607
Current tax liability	7	35,350	29,329	–	–
Accrued expenses and prepaid income	26	287,719	86,439	3,733	3,028
Other current liabilities	27	245,618	262,224	571	312
		641,388	449,632	**5,040**	69,257
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,897,165**	2,704,223	**813,779**	879,922
Pledged assets	28	1,124,388	–	1,124,388	–
Contingent liabilities	29	–	11,669	–	11,619

Statement of cash flow

CONSOLIDATED AND PARENT COMPANY STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

TSEK	Note	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Cash flow from operations					
Net result		620,154	930,229	-17,961	-150,147
Adjustments for					
Other provisions		-4,326	19,705	–	–
Write off of oil and gas properties		135,936	2,395	–	–
Depletion, depreciation and amortisation		387,380	197,126	33	39
Amortisation of deferred financing fees		7,224	15,915	–	–
Other non-cash items	30	368,063	19,143	–	–
Unrealised exchange gains		2,037	-33,977	-1,389	19,485
Gain on sale of assets/investments		-101,769	-720,098	–	-12,899
Minority interest		7,012	7,873	–	–
Changes in working capital					
Increase/decrease in current receivables		-288,916	-50,299	663	-10,492
Decrease/increase in current liabilities		37,367	-141,354	-1,660	20,997
Total cash flow from/used for operations		**1,170,162**	246,658	**-20,314**	-133,017
Cash flow used for/from investments					
Investment in subsidiary assets	31	-1,220,191	-10,864	–	-585
Sale of assets/investments		182,091	1,150,802	–	–
Change in other financial fixed assets		2,092	158	-99,492	253,264
Sale of real estate		44,640	–	–	–
Investment in oil and gas properties		-1,628,813	-285,808	–	–
Investment in office equipment and other assets		-30,423	-13,267	62	-85
Other		-1,219	–	–	–
Total cash flow used for/from investments		**-2,651,823**	841,021	**-99,430**	252,594
Cash flow from/used for financing					
Decrease in other long-term liabilities		-118	-21,852	–	–
Changes in long-term bank loan		1,464,916	-1,000,957	–	–
Paid financing fees		-28,260	–	–	–
Proceeds from share issues		16,035	10,437	16,035	10,437
Total cash flow from/used for financing		**1,452,573**	-1,012,372	**16,035**	10,437
Change in cash and bank		-29,088	75,307	-103,709	130,014
Cash and bank at the beginning of the period		301,589	247,776	112,609	2,081
Currency exchange difference in cash and bank		-4,124	-21,494	1,389	-19,486
Cash and bank at the end of the year		**268,377**	301,589	**10,289**	112,609

The effects of acquisitions and divestments of subsidiary companies have been excluded from the changes in the balance sheet items. The effects of currency exchange differences due to the translation of foreign group companies have also been excluded as these effects do not affect the cash flow. Cash and bank comprise cash and short-term deposits maturing within less than three months.

Interest income received amounted to TSEK 7,638 (TSEK 6,144) for the Group and TSEK 114 (TSEK 745) for the Parent Company. Interest expenses paid amounted to TSEK 40,673 (TSEK 22,107) for the Group and TSEK – (TSEK 2) for the Parent Company. Taxes paid amounted to TSEK 2,793 (TSEK 100,647) for the Group and TSEK – (TSEK -) for the Parent Company.

Statement of changes in equity

Shareholders' equity comprises:

Group 2004	Share capital	Restricted reserves	Retained earnings	Net result	Total
Balance at 1 January	2,515	984,112	-59,924	930,229	1,856,932
Change of accounting policies	–	–	-15,737	–	-15,737
Transfer of prior year net result	–	–	930,229	-930,229	–
Currency translation difference	–	-30,947	-39,062	–	-70,009
New share issuance	22	16,013	–	–	16,035
Net result	–	–	–	620,154	620,154
Balance at 31 December	**2,537**	**969,178**	**815,506**	**620,154**	**2,407,375**

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 issuance	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**

The change in accounting policies relates to the adoption of the Swedish recommendation RR 29 in 2004 (see note 22).

Parent Company 2004	Share capital	Share premium reserve	Legal reserve	Net result	Total
Balance at 1 January	2,515	958,297	–	-150,147	810,665
Transfer of prior year net result	–	-150,147	–	150,147	–
New share issuance	22	16,013	–	–	16,035
Net result	–	–	–	-17,961	-17,961
Balance at 31 December	**2,537**	**824,163**	**–**	**-17,961**	**808,739**

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 issuance	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 2004 amounts to SEK 2,535,207.66 (2003 - SEK 2,515,254.66) represented by 253,520,766 (2003 – 251,525,466) shares of nominal value SEK 0.01 each and representing 1 vote each. An additional 227,600 shares have been issued but were not yet registered at 31 December 2004. All outstanding shares are common shares and carry equal rights to participation in Lundin Petroleum's assets and earnings.

Notes to the financial statements

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 2004 have been taken into consideration and led to the adoption of RR 29. This adoption has resulted in a reduction to the 2004 retained earnings brought forward of MSEK 15.7.

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% 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.

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	9.1252	9.0206
1 USD equals SEK	7.3395	6.6226

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.

Repair and maintenance costs are recognised as an expense as incurred.

Employee incentive warrants
No compensation cost is recognised for any of the current employee incentive warrants issued when the exercise price is equal to or at a premium to the market price at the time of issue.

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

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

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known 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-licencees in joint ventures with other companies. The accounts reflect the relevant proportions of production, capital costs, operating costs and current assets and liabilities applicable to the Group's interests.

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

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

f) Site restoration costs
On fields where the Group is required to contribute to site restoration

costs, a 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.

NOTES

NOTE 1 – SEGMENTAL INFORMATION (TSEK)

The primary basis the Group uses for segmental reporting is at a country level. This is because of the unique nature of each countries operations, commercial terms or fiscal environment. The secondary basis the Group uses for segmental reporting is oil and gas operations for which reference is made to the financial statements as a whole.

	Group Year ended 31 December 2004	Group Year ended 31 December 2003	Parent Company Year ended 31 December 2004	Parent Company Year ended 31 December 2003
Operating income				
Net sales of:				
Crude oil				
- United Kingdom	1,128,193	–	–	–
- France	426,457	317,704	–	–
- Norway	243,808	161,600	–	–
- Indonesia	149,645	163,132	–	–
- Tunisia	194,746	168,567	–	–
Condensate				
- Netherlands	10,143	8,348	–	–
- Norway	3,368	3,238	–	–
- United Kingdom	20,007	–	–	–
Gas				
- Netherlands	175,729	173,435	–	–
- Ireland	23,372	–	–	–
- Indonesia	4,129	909	–	–
- Norway	2,851	3,449	–	–
Service fee				
- Venezuela	114,797	102,205	–	–
Oil price hedging settlement	-153,240	-30,488	–	–
Change in underlift position	37,627	10,037	–	–
	2,381,632	1,082,136	**–**	–
Other income				
- United Kingdom	74,624	–	–	–
- France	25,131	8,986	–	–
- Tunisia	7,179	19,631	–	–
- Netherlands	9,224	8,900	–	–
- Norway	7,074	–	–	–
- Sudan	–	852	–	–
- Other	1,049	–	11,547	1,119
	124,281	38,369	**11,547**	1,119
Total operating income	**2,505,913**	1,120,505	**11,547**	1,119
Gross profit				
- United Kingdom	447,754	–	–	–
- France	148,694	120,173	–	–
- Netherlands	89,081	87,351	–	–
- Ireland	8,990	–	–	–
- Tunisia	67,452	83,975	–	–
- Indonesia	62,112	57,580	–	–
- Norway	124,230	97,694	–	–
- Venezuela	64,230	60,964	–	–
- Iran	-132,051	–	–	–
- Sudan	–	852	–	–
- Other	-3,885	-2,392	11,547	1,119
Total gross profit	**876,607**	506,197	**11,547**	1,119

Intercompany sales amounts to TSEK nil (TSEK nil) and intercompany purchases amounts to TSEK nil (TSEK nil).

Notes to the financial statements

	Year ended 31 December 2004 SEK	Year ended 31 December 2004 USD	Year ended 31 December 2003 SEK	Year ended 31 December 2003 USD
Average crude sales price, per barrel or boe				
- United Kingdom	306.42	41.75	–	–
- France	270.83	36.90	223.97	27.71
- Netherlands	186.64	25.43	201.01	24.87
- Ireland	192.59	26.24	–	–
- Tunisia	283.67	38.65	227.28	28.12
- Indonesia	255.34	34.79	222.84	27.57
- Norway	278.31	37.92	231.89	28.69
Combined	**276.48**	37.67	**221.06**	27.35
Average depletion cost, per barrel or boe				
- United Kingdom	44.21	6.02	–	–
- France	35.65	4.86	38.68	4.79
- Netherlands	65.01	8.86	66.74	8.26
- Tunisia	21.46	2.92	24.53	3.03
- Indonesia	10.60	1.44	12.04	1.49
- Norway	42.66	5.81	31.47	3.89
- Venezuela	34.67	4.72	21.71	2.69
Combined	**39.05**	5.32	**33.16**	4.10

Total assets	Year ended 31 December 2004 SEK	Year ended 31 December 2003 SEK
United Kingdom	2,667,129	–
France	1,076,087	1,021,193
Netherlands	746,330	614,480
Ireland	37,872	–
Tunisia	132,277	134,998
Indonesia	171,543	107,815
Norway	709,501	262,636
Venezuela	237,974	276,791
Albania	4,085	–
Iran	17,030	97,174
Sudan	46,187	42,426
Other	51,150	146,710
Group total	**5,897,165**	2,704,223

Total shareholders' equity and liabilities	Year ended 31 December 2004 SEK	Year ended 31 December 2003 SEK
United Kingdom	1,585,790	–
France	293,576	290,178
Netherlands	892,170	239,054
Ireland	13,900	–
Tunisia	33,093	31,777
Indonesia	104,851	52,752
Norway	497,594	170,224
Venezuela	22,627	13,814
Albania	–	–
Iran	13,057	9,971
Sudan	1,702	52
Other	28,499	19,433
Total liabilities	**3,486,859**	827,255
Shareholders' equity	2,407,375	1,856,932
Minority interest	2,931	20,036
	5,897,165	2,704,223

NOTES

NOTE 2 – PRODUCTION COSTS (TSEK)

Production costs comprise:	Group Year ended 31 December 2004	Group Year ended 31 December 2003	Parent Company Year ended 31 December 2004	Parent Company Year ended 31 December 2003
Cost of operations	910,141	320,141	–	–
Tariff and transportation expenses	118,702	83,057	–	–
Direct production taxes	28,045	25,955	–	–
Change in lifting position	50,500	28,709	–	–
Inventory movement – hydrocarbons	5,962	-38,963	–	–
Inventory movement – well supplies	-1,232	1,012	–	–
	1,112,118	419,911	**–**	–

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

Oil and gas properties written off were as follows:	Group Year ended 31 December 2004	Group Year ended 31 December 2003	Parent Company Year ended 31 December 2004	Parent Company Year ended 31 December 2003
Iran	132,051	–	–	–
Other – project appraisal	3,885	2,395	–	–
	135,936	2,395	**–**	–

NOTE 4 – GENERAL, ADMINISTRATION AND DEPRECIATION (TSEK)

Remuneration to the Group's auditors for	Group Year ended 31 December 2004	Group Year ended 31 December 2003	Parent Company Year ended 31 December 2004	Parent Company Year ended 31 December 2003
Audit fees				
- PricewaterhouseCoopers	5,152	3,978	1,114	1,813
- Deloitte & Touche	–	1,989	–	–
- Other	741	190	–	–
	5,893	6,157	**1,114**	1,813
Other				
- PricewaterhouseCoopers	879	1,075	206	381
- KPMG	9	228	–	–
- Other	1,418	218	–	–
	2,306	1,521	**206**	381
Total	**8,199**	7,678	**1,320**	2,194

NOTE 5 – INTEREST AND OTHER FINANCIAL INCOME (TSEK)

Interest and other financial income comprise:	Group Year ended 31 December 2004	Group Year ended 31 December 2003	Parent Company Year ended 31 December 2004	Parent Company Year ended 31 December 2003
Interest income	11,468	11,374	30,005	27,322
Dividends received	10,899	11,040	–	–
Foreign exchange gain, net	36,125	11,361	523	–
Gain on sale of subsidiary	–	–	–	12,899
Other financial income	–	1,047	267	–
	58,492	34,822	**30,795**	40,221

Included in the interest income for the Parent Company is an amount of TSEK 29,944 (2003 – TSEK 26,716) received from Group companies.

The gain on sale of subsidiary in the Parent Company of TSEK 12,899 in 2003 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 2004	Group Year ended 31 December 2003	Parent Company Year ended 31 December 2004	Parent Company Year ended 31 December 2003
Loan interest expenses	53,092	44,208	–	252
Potential cost under interest swap	-17,171	18,574	–	–
Unwind site restoration discount	14,503	5,255	–	–
Foreign exchange loss, net	–	–	–	120,329
Amortisation of deferred financing fees	7,224	15,915	–	–
Other financial expenses	2,385	1,396	–	–
	60,033	85,348	**–**	120,581

NOTE 7 – TAXES (TSEK)

The tax charge comprises	Group Year ended 31 December 2004	Group Year ended 31 December 2003	Parent Company Year ended 31 December 2004	Parent Company Year ended 31 December 2003
Corporation tax – current				
- France	-5,393	848	–	–
- Netherlands	78,883	-13,631	–	–
- Indonesia	-7,513	-11,907	–	–
- Norway	-5,821	-	–	–
- Venezuela	-12,778	-19,860	–	–
- Switzerland	-1,292	-1,108	–	–
	46,086	-45,658	**–**	–
Corporation tax - deferred				
- United Kingdom	-147,645	–	–	–
- France	23,935	9,834	–	–
- Netherlands	-71,944	2,394	–	–
- Indonesia	-25,144	-2,126	–	–
- Norway	-77,299	-29,501	–	–
- Venezuela	-391	-411	–	–
	-298,488	-19,810	**–**	–
Total corporation tax	**-252,402**	-65,468	**–**	–
Petroleum tax - current				
- United Kingdom	59,572	–	–	–
- Netherlands	3,367	-20,335	–	–
	62,939	-20,335	**–**	–
Petroleum tax – deferred				
- United Kingdom	-59,122	–	–	–
- Netherlands	4,050	5,922	–	–
	-55,072	5,922	**–**	–
Total Petroleum tax	**7,867**	-14,413	**–**	–
Total tax charge	**-244,535**	-79,881	**–**	–

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 2004	Group 2003	Parent Company 2004	Parent Company 2003
Profit before tax	**871,701**	1,017,983	**-17,961**	-150,147
Tax calculated at the corporate tax rate in Sweden (28%)	-244,076	-285,035	5,029	42,041
Effect of foreign tax rates	-159,738	-100,854	–	–
Tax effect of expenses non-deductible for tax purposes	4,971	-6,497	–	–
Tax effect of capitalised costs	–	46,586	–	–
Tax effect of deduction for petroleum tax	3,798	6,992	–	–
Tax effect of income not subject to tax	62,180	289,287	–	–3,612
Tax effect of utilisation of unrecorded tax losses	82,379	29,706	–	–
Tax effect of creation of unrecorded tax losses	-7,991	-45,653	-5,029	-45,653
Adjustments to prior year deferred taxes	-4,726	–	–	–
Adjustments to prior year tax assessments	10,801	–	–	–
	-252,402	-65,468	**–**	–

Current tax liabilities	Group 31 December 2004	Group 31 December 2003
Corporation tax		
United Kingdom	–	–
France	1,867	37
Netherlands	1,934	-31,881
Indonesia	–	2,108
Venezuela	15,146	11,071
Total corporation tax liability	**18,947**	-18,665
Petroleum tax		
Netherlands	16,403	47,994
Total Petroleum tax liability	**16,403**	47,994
Total current tax liability	**35,350**	29,329

Deferred tax provision	Group 31 December 2004	Group 31 December 2003
Deferred corporation tax provision		
United Kingdom	683,659	–
France	89,775	86,196
Netherlands	141,472	141,352
Indonesia	37,302	3,164
Norway	157,290	–
Venezuela	-3,447	-3,849
Total deferred corporation tax provision	**1,106,051**	226,863
Deferred petroleum tax provision		
United Kingdom	53,835	–
Netherlands	11,004	15,104
Total deferred petroleum tax provision	**64,839**	15,104
Total deferred tax provision	**1,170,890**	241,967

The deferred tax liability arises on the excess of book value over the tax value of oil and gas properties.

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.

Unrecognised tax losses

The Group has Swedish and Dutch tax loss carry forwards, including tax losses in the current financial year, of MSEK 346.1 which in part are not yet assessed. The tax losses can be utilised indefinitely. A deferred tax asset relating to the tax loss carry forwards has not been recognised as at 31 December 2004 due to the uncertainty as to the timing and the extent of their utilisation. This treatment is consistent with the comparative year's accounts.

NOTE 8 – MINORITY INTEREST (TSEK)

Minority interest	Group Year ended 31 December 2004	Group Year ended 31 December 2003	Parent Company Year ended 31 December 2004	Parent Company Year ended 31 December 2003
Opening balance	20,036	2,525	–	–
Disinvestments/ acquisition (Note 31)	-23,982	9,786	–	–
Share of net result	7,012	7,873	–	–
Currency translation difference	-135	-148	–	–
	2,931	20,036	–	–

NOTES

NOTE 9 – OIL AND GAS PROPERTIES (TSEK)

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

	Group Year ended 31 December 2004	Group Year ended 31 December 2003	Parent Company Year ended 31 December 2004	Parent Company Year ended 31 December 2003
Production cost pools	4,272,400	1,696,784	–	–
Non-production cost pools	68,476	120,822	–	–
	4,340,876	1,817,606	–	–

2004	Group								
Production cost pools	U.K.	France	Netherlands	Tunisia	Indonesia	Norway	Venezuela	Ireland	Total
Cost									
1 January	–	850,740	555,507	80,532	52,014	160,038	240,220	–	1,939,051
Acquired on acquisition	1,663,419	–	–	–	–	458,429	–	30,024	2,151,872
Additions– production/development	704,350	126,202	68,994	–	72,565	111,739	12,734	2,622	1,099,206
Disinvestments	–	-858	–	-3,787	-2,801	-190,077	–	–	-197,523
Changes in estimates	–	16,170	4,928	301	–	19,117	–	–	40,516
Currency translation difference	-174,429	-7,188	-4,481	-491	-14,0717	5,275	-19,125	-1,227	-215,737
31 December	2,193,340	985,066	624,948	76,555	107,701	564,521	233,829	31,419	4,817,385
Depletion									
1 January	–	-80,475	-77,873	-27,242	-11,120	-23,176	-22,382	–	-242,267
Depletion charge for the year	-175,680	-55,665	-61,669	-12,319	-8,903	-38,328	-28,688	–	-381,252
Disinvestments	–	858	–	–	2,801	47,204	–	–	50,863
Currency translation difference	17,160	1,155	1,216	319	1,474	-1,510	7,857	–	27,671
31 December	-158,520	-134,127	-138,326	-39,242	-15,748	-15,810	-43,212	–	-544,985
Net book amount	2,034,820	850,939	486,622	37,313	91,959	548,711	190,617	31,419	4,272,400

2003	Group								
Production cost pools	U.K.	France	Netherlands	Tunisia	Indonesia	Norway	Venezuela	Ireland	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
Currency translation difference	–	-18,434	-5,532	-772	-10,139	-21,686	-10,866	–	-67,429
31 December	–	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	–	-80,475	-77,873	-27,242	-11,120	-23,176	-22,381	–	-242,267
Net book amount	–	770,265	477,634	53,290	40,894	136,862	217,839	–	1,696,784

2004 **Non-production cost pools**	Group 1 January	Acquired on consolidation	Additions	Write-offs	Sales	Currency translation difference	31 December
Indonesia	19,335	–	13,972	–	–	-4,959	28,348
Albania	–	–	4,132	–	–	-47	4,085
Iran	79,765	–	51,889	-132,051	–	397	–
Sudan	20,457	–	5,587	–	–	-198	25,846
Other	1,265	-	13,037	-3,885	–	-220	10,197
	120,822	–	88,617	-135,936	–	-5,027	68,476

2003 **Non-production cost pools**	Group 1 January	Acquired on consolidation	Additions	Write-offs	Sales	Currency translation difference	31 December
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

Acquired on acquisition includes the values assigned to the oil and gas properties acquired through the purchase of the shares in Lundin Britain Ltd (formerly DNO Britain Ltd) and Lundin Ireland Ltd (formerly Island Petroleum Developments Ltd) and certain Norwegian assets from DNO ASA during 2004. 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 programmes. The Directors estimate the present commitments to be no more than MSEK 203.0 of which third parties who are joint venture partners have contractually agreed to contribute approximately MSEK 291.7

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 in respect of a dispute over pre-emptive rights under the Colón Unit joint operating agreement. The arbitration hearing was completed in 2004 and as a result Lundin Petroleum's working interest in the Colón Unit has remained at 12.5%

NOTE 10 – OFFICE EQUIPMENT AND OTHER ASSETS (TSEK)

	2004			2003		
Office equipment and 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	41,614	24,005	65,619	45,843	18,470	64,313
Acquired on consolidation	–	–	–	-6,659	–	-6,659
Acquired on acquisition	–	1,617	1,617	–	–	–
Disinvestments	-41,821	–	-41,821	–	–	–
Additions	–	30,423	30,423	2,855	10,412	13,267
Write-off	–	-2,286	-2,286	–	-830	-830
Currency translation difference	207	-3,489	-3,282	-425	-4,047	-4,472
31 December	–	50,270	50,270	41,614	24,005	65,619
Depreciation						
1 January	-754	-9,509	-10,263	-761	-6,896	-7,657
Disinvestments	758	–	758	–	–	–
Depreciation charge for the year	–	-5,287	-5,287	–	-4,294	-4,294
Write-off	–	1,445	1,445	–	–	–
Currency translation difference	-4	1,082	1,078	7	1,681	1,688
31 December	–	-12,269	-12,269	-754	-9,509	-10,263
Net book amount	–	38,001	38,001	40,860	14,496	55,356
Parent Company						
Cost						
1 January	–	158	158	–	73	73
Additions	–	131	131	–	85	85
Write-offs	–	-289	-289	–	–	–
31 December	–	–	–	–	158	158
Depreciation						
1 January	–	-63	-63	–	-24	-24
Depreciation charge for the year	–	-33	-33	–	-39	-39
Write-offs	–	96	96	–	–	–
31 December	–	–	–	–	-63	-63
Net book amount	–	–	–	–	95	95

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 Britain Ltd (formerly DNO Britain Ltd) during 2004. Acquired on consolidation includes adjustments to the values assigned to the office equipment and other fixed assets acquired through the purchase of shares in Lundin International SA (formerly Coparex International SA) during 2002.

NOTE 11 – SHARES IN SUBSIDIARIES (TSEK)

	Registration number	Registered office	Number of shares	Percentage	Nominal value per share	Book amount 31 December 2004	Book amount 31 December 2003
Group							
Directly owned							
Lundin Energy AB	556619-2299	Stockholm, Sweden	10,000,000	100	SEK 0.01	100	100
Lundin Investment Limited	EC-14476	Hamilton, Bermuda	12,000	100	USD 1.00	585	585
Lundin Petroleum B.V.	BV 1216140	The Hague, Netherlands	180	100	EUR 100.00	183,806	183,806
						184,491	184,491
Indirectly owned							
Lundin Britain Limited	3628497	London, United Kingdom	24,265,203	100	GBP 1.00		
- Lundin Heather Limited	2748866	London, United Kingdom	9,701,00	100	GBP 1.00		
- Lundin (Heather Oilfield) Limited	1216554	London, United Kingdom	101	100	GBP 1.00		
- Lundin Thistle Limited	4487223	London, United Kingdom	100	100	GBP 1.00		
- Lundin UK Limited	1006812	London, United Kingdom	5,004	100	GBP 1.00		
- Lundin UK Exploration Limited	999917	London, United Kingdom	502,501	100	GBP 1.00		
Lundin Sudan B.V.	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 B.V.	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		
Lundin Norway AS	986 209 409	Oslo, Norway	1,320,000	100	NOK 100.00		
Lundin Oil Services SA	1731/1999	Geneva, Switzerland	1,000	100	CHF 100.00		
Lundin New Ventures B.V.	BV 1272860	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Exploration B.V.	BV 1303454	The Hague, Netherlands	180	100	EUR 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 Ile-de-France	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 SA	Nanterre B419619077	Montmirail, France	100	100	EUR 152.45		
- Lundin Netherlands Holding B.V.	BV 87466	The Hague, Netherlands	150	100	EUR 450.00		
- Lundin Netherlands B.V.	BV 86811	The Hague, Netherlands	30,000	100	EUR 450.00		
- Lundin Indonesia B.V.	BV 471132	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 Ireland Limited	87040C	Douglas, Isle of Man	26,102,000	100	GBP 1.00		
- Lundin Lematang B.V.	BV 547158	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Oil & Gas B.V.	BV 547156	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Blora B.V.	BV 561660	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Sareba B.V.	BV 608284	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin South Sokang B.V.	BV 614572	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		

Shares in subsidiaries	Parent Company 2004	Parent Company 2003
1 January	184,491	171,008
Capital contribution	–	183,638
Acquisitions	–	585
Transfer of subsidiaries	–	-170,740
31 December	**184,491**	184,491

NOTES

NOTE 12 – SHARES AND PARTICIPATIONS (TSEK)

Shares and participation comprise:	Number of shares	Share %	Book amount 31 December 2004	Book amount 31 December 2003
Group				
Associated companies				
- Compagnie Franco-Tunisienne Des Petroles	10,000	50.00	–	–
- Ikdam Production SA	1,600	40.00	–	–
Other shares and participation				
- Noorderlijke Aardgas Transportmij B.V.	11,098,015	1.81	18,383	18,505
- Cofraland B.V.	31	7.75	2,728	2,746
- Aardgas Verkoopmij Leeuwarden	–	7.23	15	15
- L4 Witte Water B.V.	1,519	4.34	–	6
- Witte Water B.V.	3,840	3.84	–	16
- F15A Groep B.V.	254	2.54	–	5
- F15D Groep B.V.	254	2.54	–	4
- K4a/K5b (Groep) B.V.	101,500	2.03	–	4
- Maison de la géologie	2	1.25	27	27
			21,153	21,328

The investment in Compagnie Franco-Tunisienne Des Petroles has been sold during 2004. Ikdam Production SA realised a result for the year 2004 for an amount of TSEK 151,159 (TSEK -46,202) and shareholders' equity amounted to TSEK -77,343 as at 31 December 2004 (TSEK -106,816). As Lundin Petroleum has no obligation to cover for its interest in the negative shareholders' equity, the investment has been written off to TSEK nil (TSEK nil).

NOTE 13 – LONG TERM RECEIVABLES (TSEK)

Long term receivables comprises:	Group 31 December 2004	Group 31 December 2003	Parent Company 31 December 2004	Parent Company 31 December 2003
Long term receivables from subsidiaries	–	–	615,545	570,372
	–	–	**615,545**	570,372

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 2004 there was a bank guarantee outstanding issued to the Minister of Energy and Mining, representing the Republic of Sudan, in relation to the first commitment period in Block 5B, Sudan. The total exploration expenditure commitment amounts to USD 33 million, of which 33.3% is guaranteed by the Sudan partners. The guarantee reflects Lundin Petroleum's paying interest of 27.2%. 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. Both the bank guarantees have been supported by a cash deposit that can not be withdrawn whilst the guarantees remain outstanding. The Munir guarantee was released in March 2004 following the fulfillment of the work commitments on the Munir concession.

In 2003, MNOK 16.5 was deposited by OER oil AS as security for future site restoration costs for fields held offshore Norway. Following the sale of the shares in OER oil AS in November 2004 this amount is no longer included in the total.

NOTE 15 – DEFERRED FINANCING FEES (TSEK)

This item relates to the costs of the bank credit facility and are being amortised over the period of the loan. Amortisation expenses amounted to TSEK 7,224 (TSEK 15,915).

NOTE 16 – DEFERRED TAX ASSET (TSEK)

The deferred tax asset is primarily relating to loss carry forwards in the United Kingdom for an amounts of TSEK 240,661 (TSEK nil), Norway for an amount of TSEK 110,078 (TSEK 47,983), France for an amount of TSEK 28,235 (TSEK nil) and Tunisia for an amount of TSEK 15,867 (TSEK nil). Deferred tax assets in relation to tax loss carry forwards are only recognised in so far that there is a reasonable certainty as to the timing and the extent of their realisation.

NOTES

NOTE 17 – OTHER FINANCIAL FIXED ASSETS (TSEK)

This item mainly relates to and funds held by joint venture partners in anticipation of future expenditures for an amount of TSEK 5,924 (TSEK 3,877). At 31 December 2003, this item also included a loan to an associated company for an amount of TSEK 3,069.

NOTE 18 – INVENTORIES (TSEK)

Inventories comprise:	Group 31 December 2004	Group 31 December 2003	Parent Company 31 December 2004	Parent Company 31 December 2003
Hydrocarbon stocks	53,557	52,727	–	–
Drilling equipment and consumable materials	35,011	18,939	–	–
	88,568	71,666	**–**	–

NOTE 19 – PREPAID EXPENSES AND ACCRUED INCOME (TSEK)

Current receivables comprises:	Group 31 December 2004	Group 31 December 2003	Parent Company 31 December 2004	Parent Company 31 December 2003
Prepaid rent	400	566	–	402
Joint venture balances	5,179	838	–	–
Prepaid insurances	2,517	259	–	–
Accrued income	1,279	–	–	–
Other	2,415	1,165	158	70
	11,790	2,828	**158**	472

NOTE 20 – CURRENT RECEIVABLES (TSEK)

Prepaid expenses and accrued income comprises:	Group 31 December 2004	Group 31 December 2003	Parent Company 31 December 2004	Parent Company 31 December 2003
Underlift	35,073	12,883	–	–
Joint Venture debtors	74,055	72,964	–	–
Due from Group companies	–	–	2,333	10,625
Deposits	–	–	–	–
Corporation tax	117,587	69,118	–	–
VAT recoverables	18,438	11,284	927	1,139
Other	7,585	23,723	34	44
	252,738	189,972	**3,294**	11,808

NOTE 21 – PROVISIONS – SITE RESTORATION (TSEK)

Provisions comprise:	Group 31 December 2004	Group 31 December 2003	Parent Company 31 December 2004	Parent Company 31 December 2003
1 January	110,643	58,411	–	–
Acquired on consolidation	–	-5,680	–	–
Acquired on acquisition	195,403	54,488	–	–
Unwinding of discount (Note 6)	14,503	5,255	–	–
Changes in estimates	40,516	–	–	–
Disinvestments	-57,531	–	–	–
Currency translation difference	-7,510	-1,831	–	–
	296,024	110,643	**–**	–

NOTE 22 – PENSION PROVISION (TSEK)

In May 2002 the Compensation Committee recommended to the Board of Directors, and the Board of Directors approved that a pension to be paid to Mr. 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 1,219) for the duration of his life. It was further agreed that upon the death of Mr. Adolf H. Lundin, monthly payments totalling an annual amount of TCHF 138 (TSEK 786) 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 11,393). With the adoption of the Swedish recommendation RR29 in 2004, a provision has been accounted for resulting in a reduction to the 2004 retained earnings brought forward of MSEK 15.7. The obligation is valued at present value and an external actuarial expert is used for this valuation. Actuarial gains and losses are charged to the income statement.

Pension provision	Group 31 December 2004	Group 31 December 2003	Parent Company 31 December 2004	Parent Company 31 December 2003
1 January	–	–	–	–
Adoption of RR 29	15,737	–	–	–
Installments paid	-1,219	–	–	–
31 December	**14,518**	–	**–**	–

NOTE 23 – OTHER PROVISIONS (TSEK)

	Group		
Other provisions comprises:	Termination Indemnity Provision	Other	Total
1 January 2004	3,874	21,021	24,895
Additions	1,437	-4,786	-3,349
Currency translation difference	-446	-82	-528
31 December 2004	**4,865**	**16,153**	**21,018**

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 2004 of MSEK 1.4 (MSEK 18.5) to recognise this potential cost and has been included in "Other provisions".

As at 31 December 2004 an amount of MSEK 12.7 (MSEK nil) has been accounted for in relation to transfer taxes on certain French assets originating before the time of acquisition of the Coparex group by Lundin Petroleum.

NOTE 24– BANK LOANS (TSEK)

Bank loans comprises:	Group 31 December 2004	Group 31 December 2003	Parent Company 31 December 2004	Parent Company 31 December 2003
Current				
Repayment within one year	–	–	–	–
Long term				
Repayment within 2–5 years	629,147	–	–	–
Repayment after 5 years	713,874	–	–	–
	1,343,021	–	**–**	–

On 16 August 2004, Lundin Petroleum entered into a seven-year credit facility agreement to borrow up to MUSD 385. Under the facility the Company has utilised MUSD 35 as Letters of Credit in support of future site restoration costs payable to former owners of the Heather field, offshore UK, and cash drawings of MUSD 271.0. Repayments were made against the facility in the fourth quarter of 2004 amounting to MUSD 68.2. Loan repayments are made based upon a net present value calculation of the assets future cash flows. No loan repayments are currently forecasted under this calculation. The loan repayments as shown in the table are driven by the loan reduction schedule.

NOTE 25 – FINANCE LEASE (TSEK)

There are no finance leases within the Group

NOTE 26 – ACCRUED EXPENSES AND PREPAID INCOME (TSEK)

Accrued expenses comprises:	Group 31 December 2004	Group 31 December 2003	Parent Company 31 December 2004	Parent Company 31 December 2003
Holiday pay	3,996	3,839	–	48
Joint venture costs	61,827	19,048	–	–
Operating cost	190,208	28,988	–	–
General and administrative costs	1,119	1,970	–	–
Social security charges	328	1,687	467	227
Salaries and wages	7,121	8,155	1,000	35
Interest rate hedge	7,018	10,233	–	–
Other	16,102	12,519	2,266	2,718
	287,719	86,439	**3,733**	3,028

NOTE 27 – OTHER CURRENT LIABILITIES (TSEK)

Other current liabilities comprises:	Group 31 December 2004	Group 31 December 2003	Parent Company 31 December 2004	Parent Company 31 December 2003
Overlift	45,562	23,237	–	–
Short term liability	-	15,550	–	–
Accrual for acquisition price (Note 26)	37,102	146,465	–	–
Joint Venture creditors	141,992	61,491	–	–
VAT payable	4,942	4,449	–	–
Social charges payable	9,595	3,466	–	–
Other	6,425	7,566	571	312
	245,618	262,224	**571**	312

NOTE 28 – PLEDGED ASSETS

During 2004, the Group had entered into a MUSD 385 loan facility under which an amount of MUSD 202.8 was outstanding as at 31 December 2004. This facility was secured by a pledge over the shares of the asset holding companies of the Group and future cash flows generated from the pledged companies.

The amount stated for pledged assets of TSEK 1,124,388 as at 31 December 2004, represents the net asset book values of the pledged companies.

NOTE 29 – 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 37,102 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.

Notes to the financial statements

NOTE 30 – CASH FLOW ANALYSIS – OTHER NON CASH ITEMS (TSEK)

	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Deferred tax	353,560	13,888	–	–
Site restoration discount	14,503	5,255	–	–
	368,063	19,143	**–**	–

NOTE 31 – CASH FLOW ANALYSIS - INVESTMENTS IN SUBSIDIARY ASSETS (TSEK)

	Group 2004	Group 2003	Parent Company 2004	Parent Company 2003
Oil and gas assets	1,734,720	155,735	–	–
Other fixed assets	1,791	–	–	–
Financial fixed assets	269,611	77,709	–	–
Other current assets	172,280	–	–	–
Provisions	-722,259	-54,465	–	–
Long term liabilities	–	–	–	–
Current liabilities	-221,295	-158,329	–	–
Minority interest	–	-9,786	–	–
Shares in subsidiary	–	–	–	585
Purchase price	1,234,848	10,864	**–**	585
Cash in acquired company	-14,657	–	–	–
	1,220,191	10,864	**–**	585

2004

The values shown in the table represent the values assigned to the assets and liabilities of Lundin Britain Ltd (formerly DNO Britain Ltd) and Lundin Ireland Ltd (formerly Island Petroleum Developments Ltd) as at the date of acquisition by Lundin Petroleum for the purposes of consolidating into the Group accounts of Lundin Petroleum AB.

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.

NOTE 32 – RELATED PARTY TRANSACTIONS

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

The Group paid TSEK 345 (2003 – TSEK 355) 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 2,412 (2003 – TSEK 1,249) 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.

NOTE 33 – AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS (TSEK)

	2004		2003	
Average number of employees	Total employees	of which men	Total employees	of which men
Parent Company				
Sweden	2	–	2	–
Total Parent Company	**2**	–	2	–
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
United Kingdom	149	132	-	-
France	51	41	57	42
Switzerland	31	20	31	21
Netherlands	7	5	7	5
Norway	25	20	13	11
Indonesia	16	11	24	18
Tunisia	10	6	9	6
Albania	1	1	3	2
Total subsidiary companies	**290**	**236**	144	105
Total Group	**292**	**236**	146	105

For the Group, a total of 19 persons held senior management and board positions (2003: 15 persons and 2002: 16 persons). One woman is included in these positions in 2004, 2003 and 2002.

	2004		2003	
Salaries, other remuneration and social security costs	Salaries and other remuneration	Social security costs	Salaries and other remuneration	Social security costs
Parent Company				
Sweden	4,923	1,687	1,680	552
Total Parent Company	**4,923**	**1,687**	1,680	552
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
United Kingdom	60,756	13,642	–	–
France	18,798	9,435	22,925	12,826
Switzerland	39,526	2,556	36,527	2,462
Netherlands	5,566	651	2,748	128
Norway	25,087	3,241	9,191	1,353
Indonesia	4,792	284	4,068	474
Tunisia	7,828	1,029	6,096	616
Albania	309	–	2,061	23
Total subsidiary companies	**162,662**	**30,838**	83,616	17,882
Total Group	**167,585**	**32,525**	85,296	18,434
of which pension costs	11,321	–	2,561	–

Salaries, other remuneration per country split between the Board of Directors and other employees	2004 Board of Directors and MD	2004 Other employees	2003 Board of Directors and MD	2003 Other employees
Parent Company				
Sweden	4,151	772	1,050	630
Total Parent Company	**4,151**	**772**	1,050	630
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
United Kingdom	6,826	53,930	–	–
France	–	18,798	–	22,925
Switzerland	10,806	28,720	9,926	26,601
Netherlands	3,189	2,377	1,325	1,423
Norway	4,532	20,555	2,364	6,827
Indonesia	1,306	3,486	1,265	2,804
Tunisia	2,794	5,034	2,792	3,303
Albania	309	–	920	1,141
Total subsidiary companies	**29,752**	**132,900**	18,592	65,024
Total Group	**33,913**	**133,672**	19,642	65,654

NOTE 34 – RESERVE QUANTITY INFORMATION (UNAUDITED)

Proved and probable oil reserves	Total MBBL	U.K. MBBL	France MBBL	Netherlands MBBL	Tunisia MBBL	Norway MBBL	Venezuela MBBL	Indonesia MBBL	Ireland MBBL	Sudan MBBL
1 January 2003	102,888	–	23,844	25	3,191	–	8,258	7,370	–	60,200
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	–	–
2004										
Changes during the year										
- acquisitions	85,131	54,283	–	–	–	30,848	–	–	–	–
- sales	-4,509	–	–	–	-397	-4,112	–	–	–	–
- revisions	-5,875	–	-3,558	767	-95	–	-2,393	-596	–	–
- extensions and discoveries	3,055	–	2,287	–	–	–	–	768	–	–
- production	-8,566	-3,974	-1,561	-4	-574	-870	-753	-830	–	–
	69,236	50,309	-2,832	763	-1,066	25,866	-3,146	-658	–	–
31 December 2004	**125,852**	**50,309**	**23,174**	**805**	**5,152**	**30,634**	**5,034**	**10,744**	**–**	**–**

Proved and probable gas reserves	Total MMSCF	U.K. MMSCF	France MMSCF	Netherlands MMSCF	Tunisia MMSCF	Norway MMSCF	Venezuela MMSCF	Indonesia MMSCF	Ireland MMSCF	Sudan MMSCF
1 January 2003	84,250	–	–	54,167	–	–	3,543	26,540	–	–
Changes during the year										
- acquisitions	12,787	–	–	–	–	12,787	–	–	–	–
- sales	–	–	–	–	–	–	–	–	–	–
- revisions	2,557	–	–	-548	–	–	791	518	–	–
- extensions and discoveries	1,644	–	–	–	–	–	–	1,644	–	–
- production	-6,065	–	–	-5,151	–	-215	-869	-95	–	–
	10,923	–	–	-5,699	–	12,572	1,983	2,067	–	–
31 December 2003	95,173	–	–	48,468	–	12,572	5,526	28,607	–	–
2004										
Changes during the year										
- acquisitions	68,907	–	–	–	–	34,107	–	–	34,800	–
- sales	-12,429	–	–	–	–	-12,429	–	–	–	–
- revisions	-43,854	–	–	-5,214	–	–	-3,089	1,711	-33,840	–
- extensions and discoveries	–	–	–	–	–	–	–	–	–	–
- production	-7,127	–	–	-5,665	–	-169	-449	-64	-780	–
	5,497	–	–	-10,879	–	21,509	-3,538	-1,775	180	–
31 December 2004	**100,670**	**–**	**–**	**37,589**	**–**	**34,081**	**1,988**	**26,832**	**180**	**–**

Of the total proved and probable oil and gas reserves at 31 December 2004, 74 MBBL of oil and 110 MMSCF of gas are attributable to minority shareholders of certain subsidiaries of the Group.

NOTE 35– SUBSEQUENT EVENTS

On 13 January 2005, Lundin Petroleum signed agreements to acquire a 22.5% net revenue interest in Oil Mining Lease 113 offshore Nigeria, containing the Aje oil and gas discovery. As part of the deal Lundin Petroleum will assume responsibility as technical advisor to Yinka Folawiyo Petroleum Company, the operator of the project. Following the approval of the transaction it is planned to drill the first appraisal well in the second half of 2005. If successful it is likely that either a second appraisal well or an exploration well on a separate prospect known as South East Aje will be drilled back to back.

On 20 January 2005, Lundin Petroleum, through its wholly-owned subsidiary Lundin Exploration B.V., and partners were granted a frontier exploration licence over the Donegal Basin off the north western coast of Ireland. Lundin Exploration B.V. holds a 35% interest in this licence and is operator. An option to acquire a 5% ground floor interest in the Donegal licence has been granted by Lundin Petroleum to Island Oil and Gas plc as part of the consideration for the sale of the interests in the Seven Heads Gas project and certain other oil and gas interests offshore Ireland. Under the terms of the licence, which runs for 15 years, it is planned that an exploration well will be drilled during 2006.

Subsequent to the year end Lundin Petroleum was contractually committed under various concession agreements to complete various exploration work programmes in addition to the programmes referred to in note 9. The total commitment under the new agreements amounts to approximately MSEK 417.2 of which the Group's share amounts to approximately MSEK 199.3. Of this amount, it is estimated that MSEK 26.5 will be fulfilled during 2005.

In January 2005 the Group entered in a number of oil hedging contracts for the period 1 February 2005 until 31 December 2005 for 5,000 bopd fixing the price at an average of USD 45.00 per barrel Dated Brent.

In March 2005 the Group entered in a number of oil hedging contracts for the period 8 March 2005 until 31 December 2005 for 5,000 bopd fixing the price at USD 51.00 per barrel Dated Brent.

In March 2005 the Group entered into a number of oil hedging contracts for the period 1 January 2006 until 31 December 2006 for 5,000 bopd fixing the price at an average of USD 53.20 per barrel Dated Brent.

In January 2005 the Group entered into a number of currency hedging contracts for 2005 fixing the rate of exchange from USD into GBP, Euros, NOK and CHF. The contracts run from 20 February 2005 until 20 November 2005. The total amount hedged amounts to MUSD 98.3, of which MUSD 66.2 relates to GBP and MUSD 17.6 relates to Euro.

NOTE 36 – 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.

Liquidity risk: Lundin Petroleum has entered into a MUSD 385 credit facility to provide security for certain site restoration commitments by way of letters of credit for MUSD 35 and cash borrowings up to MUSD 350. As at 31 December 2004, MUSD 237.8 was drawn under this facility. Lundin Petroleum monitors its liquidity requirements through an annual budget process and continual monitoring and revision of actual results against the budget. The Group is confident that estimated future cash flows and the availability under the credit facility are sufficient to provide liquidity for the Group's financial obligations.

Derivative instruments

Currency hedges: As at 31 December 2004, the Company did not have any currency hedging agreements.

Oil price hedges: As at 31 December 2004, the Company has entered into oil hedging contracts for the calendar year 2005 for 6,000 bopd fixing the price at an average of USD 29.00 per barrel Dated Brent.

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. The amount hedged reduced to MUSD 85 on 2 January 2005 with further reductions to this amount at half year intervals. On 11 March 2004, following the drawdown of funds under the loan facility to finance the DNO acquisition, the Group entered into a further interest rate hedging contract to fix the LIBOR rate of interest on MUSD 40.0 at 2.32% for a period of three years.

Market values: The market values for the derivative instruments as at 31 December 2004 were as follows:

In TSEK	Group 31 December 2004	Group 31 December 2003	Parent Company 31 December 2004	Parent Company 31 December 2003
Oil price hedging contracts	-162,330	-26,227	–	–
Interest rate hedging contracts	5,230	-18,574	–	–

The oil price hedging contracts were valued based on the Dated Brent oil price as at 31 December 2004. The interest rate hedging contracts are valued at fair value for contracts with an underlying transaction and for contracts without underlying transactions at the net present value of the potential costs under these contracts. As at 31 December 2004, a provision has been accounted for in relation to the latter one for an amount of MSEK 1.4 (MSEK 18.6).

Stockholm, 21 April 2005

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	

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, the accounting records and the administration of the board of directors and the managing director of Lundin Petroleum AB for the year 2004. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the managing director. 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 assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts 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 be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the 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. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

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 loss for 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 managing director be discharged from liability for the financial year.

Stockholm, 21 April 2005

Carl-Eric Bohlin
Authorised Public Accountant
PricewaterhouseCoopers AB

Klas Brand
Authorised Public Accountant
PricewaterhouseCoopers AB

Directors' remuneration

The Board of Directors of Lundin Petroleum AB has established a Compensation Committee to administer the Company's executive compensation programme. 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 2004	Total 2003	Pensions 2004	Pensions 2003
Non-executive Director			**(1)**			**(2)**	
Ian H. Lundin **(3)**	–	–	–	–	3,117	–	197
Executive Management							
C. Ashley Heppenstall	2,834	1,418	326	4,578	3,689	304	289
Other management **(4)**	8,368	2,300	327	10,995	6,647	932	609

	Fees	Others	Benefits	Pension payments	Total 2004	Total 2003
Non-executive Directors						
Ian H. Lundin **(3)**	579	2,923	241	61	3,804	–
Adolf H. Lundin	20	–	–	1,219	1,239	1,258
Magnus Unger	313	591	–	–	904	810
Carl Bildt	293	–	–	–	293	210
Kai Hietarinta	303	–	–	–	303	210
Lukas Lundin	303	–	–	–	303	210
William Rand	313	–	–	–	313	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) Ian H. Lundin ceased executive responsibilities in 2003 and going forward will not receive a salary from the Company. Other remuneration paid during 2004 relates to fees paid for special projects undertaken on behalf of the Group. The payment of such fees was in accordance with fees approved at the 2003 AGM.
(4) Other management comprise the six Vice Presidents in office during the year.

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

The Company runs an incentive programme for employees whereby warrants are issued to employees enabling them to buy shares in the company. The warrants were issued at a price equal to or at a premium 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 2004			
	Issued 2001	Issued 2002	Issued 2003	Issued 2004	Issued 2001	Issued 2002	Issued 2003	Issued 2004
Executive Management								
C. Ashley Heppenstall	444,500	450,000	600,000	350,000	–	150,000	600,000	350,000
Other management	488,950	655,000	815,000	555,000	–	45,000	635,000	555,000
Non-executive Directors [1]								
Ian H. Lundin	635,000	650,000	400,000	–	–	485,000	400,000	–
Magnus Unger	76,200	80,000	–	–	–	–	–	–

	Issued 2001	Issued 2002	Issued 2003	Issued 2004
Exercise price (SEK)	3.37	4.50	10.10	45.80
Exercise period	1 May 2002– 1 May 2004	31 May 2003– 31 May 2005	31 May 2004– 31 May 2006	31 May 2005– 31 May 2007
Valuation per warrant [2]	0.94	0.98	2.53	7.97

[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 totaling 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 totaling 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). As at 31 December 2004 a provision has been recorded for these payments for an amount of TSEK 14,518 (31 December 2003 TSEK -).

IFRS

Adoption of IFRS

Lundin Petroleum has prepared its annual financial statements in accordance with Swedish GAAP. In June 2002 the European Union adopted International Financial Reporting Standards (IFRS) for all companies listed on a stock exchange within the European Union with effect from 1 January 2005, the adoption date. Lundin Petroleum's financial statements for 2005 will be prepared in full compliance with IFRS, including one year of comparative figures in line with IFRS 1. As a result, Lundin Petroleum's date of transition is 1 January 2004.

Accounting standards are issued by the International Accounting Standards Board (IASB) and were called International Accounting Standards (IAS) prior to the adoption of the title IFRS. IAS's in force at 1 January 2005 will continue to be applicable until amended by the IASB or replaced by a new IFRS.

Transition

IFRS 1 provide first time adopters of IFRS with exemptions from full retrospective application. Lundin Petroleum has granted the following:

- IFRS 2 – Share based payments: This standard will not be applied to the Group's incentive warrants programme granted before 7 November 2002. The 2004 programme granted after 7 November 2002 and not yet vested before 1 January 2005 will be recognised in line with this standard.
- IFRS 3 – Business combinations: this standard will be not be applied to business combinations prior to 1 January 2004.
- IFRS 5 – Non current assets held for sale and discontinued operations: This standard is adopted prospectively as from 1 January 2005.
- IAS 21 – The Effects of Changes in Foreign Exchange Rates: at the date of transition to IFRS the cumulative translation differences are deemed to be zero. The gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition and shall include later translation differences.
- IAS 39 – Financial instruments: This standard is as adopted by the EU, applied as from 1 January 2005 and therefore the comparatives will not be restated.

Differences between Swedish GAAP and IFRS

The effects of adopting IFRS on the Lundin Petroleum financial statements are as follows.

IFRS 2

This statement deals with share based remuneration and requires a charge to be recorded in the income statement to record the issue of stock options. The fair value of the 2004 Incentive warrants programme has been determined using the Black & Scholes method. The total cost of MSEK 17.3 is recognised during the vesting period of one year. The cost of the incentive warrants issued in 2004 to be recognised in the restated 2004 income statement amounts to MSEK 10.7 and is estimated to amount to MSEK 6.6 in 2005.

IFRS 3

This statement deals with business combinations and the treatment of any excess purchase price and the split between tangible assets and intangible assets. There is no change required to treatment of assets currently adopted by Lundin Petroleum.

IAS 1

In accordance with this standard, minority interests are included in shareholders' equity as a separate component and are included in the net result for the year in the income statement.

IAS 21

This statement deals with the effects of foreign exchange rates. The effects of recording a change in functional currency of certain subsidiaries within the Lundin Group in line with the requirements of this standard, related to the oil and gas assets recognised in these companies. The effect on shareholders' equity at 1 January 2004 amounts to MSEK -11.5 net of deferred tax and MSEK 3.3 at 31 December 2004. The effect on the net result for the financial year 2004 amounts to MSEK 8.2.

IAS 36

Under GAAP used for the preparation of the 2004 financial statements, Lundin Petroleum has based their impairment testing on a country by country cost pool basis under the full cost method of accounting. IAS 36 requires that impairment testing be carried out on a field by field cost pool basis. The change in method of impairment means that exploration costs can no longer be carried as capitalised costs within a country cost pool unless those costs can be supported by future cash flows on their own merits. If there is no decision to continue with a field specific exploration programme then the costs must be expensed. Lundin Petroleum has incurred exploration costs in France and Indonesia which must be expensed under the adoption of IFRS.

IAS 39

This statement deals with the recognition and measurement of financial instruments. The standard requires that derivative financial instruments be accounted for at fair value. Under the optional exemption rules stated in IFRS 1 Lundin Petroleum will adopt IAS 39 from 1 January 2005 and no restatement of prior periods results will be required. At 1 January 2005, Lundin Petroleum had in place cash flow hedges by means of interest rate hedging contracts and oil price hedging contracts. Under Swedish GAAP, these contracts have been treated as off-balance sheet instruments, whereas IFRS requires valuing these contracts at fair value. The impact on the opening balance at 1 January 2005 is MSEK 98.2 net of deferred tax.

Summary of expected effects

In the table below the expected effects of the adoption of IFRS are shown on shareholders' equity and net result. As IFRS standards may be revised during 2005, the effects as stated could change.

Expressed in TSEK	1 Jan 2004	31 Dec 2004	1 Jan 2005
Equity under Swedish GAAP	**1,856,932**	**2,407,375**	**2,407,375**
IFRS adjustments			
Share based payments	–	-10,712	-10,712
Effects of changes in foreign exchange rates	-11,943	3,293	3,293
Minority interest	20,036	2,931	2,931
Impairment of assets	-17,929	-40,298	-40,298
Financial instruments	–	–	-155,711
Deferred taxes on IFRS adjustments	2,268	4,807	62,325
Total adjustments to IFRS	**-7,568**	**-39,979**	**-138,172**
Equity under IFRS	**1,849,364**	**2,367,396**	**2,269,203**

Definitions

ABBREVIATIONS

AGM	Annual General Meeting
SEK	Swedish krona
USD	US dollar
CHF	Swiss franc
NOK	Norwegian krona
GBP	British pound
TSEK	Thousand SEK
TUSD	Thousand USD
TCHF	Thousand CHF
MSEK	Million SEK
MUSD	Million USD
MNOK	Million NOK
MGBP	Million GBP
IFRS	International Financial Reporting Standard

OIL RELATED TERMS AND MEASUREMENTS

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
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.
PSC	Production Sharing Contract
Seismic	A method of geophysical prospecting involving the interaction of sound waves and buried rocks.

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

AGM 19 MAY 2005

The Annual General Meeting of the shareholders is to be held on Thursday, 19 May 2005 at 14.00 (Swedish time). Location: China Teatern (for registration Berns main entrance, 1 floor down) Berzelii Park, in Stockholm.

Attendance at the meeting

Shareholders wishing to attend the meeting shall:

- be recorded in the share register maintained by the Swedish Central Securities Depository (VPC) on Monday the 9 May 2005; and
- notify Lundin Petroleum of their intention to attend the meeting no later the Thursday 13 May 2005

Confirmation of attendance

- in writing to Lundin Petroleum AB, Hovslagargatan 5, SE-111 48 Stockholm, Sweden
- by telephone: +46-8-440 54 50
- by fax: +46-8-440 54 59
- by e-mail: bolagsstamma@lundin.se

When registering please give your name, social security personal number/ company registration no., address, telephone number, daytime, and the number of shares registered.

Shareholders whose shares are registered in the name of a nominee must temporarily register the shares in their own names in the shareholder' register. Such registration must be effected by 9 May 2005.

FINANCIAL REPORT DATES

Lundin Petroleum will publish the following interim reports:

- Three month report
  January-March 2005
  Published on 18 May 2005

- Six month report
  January-June 2005
  Published on 17 August 2005

- Nine month report
  January-September 2005
  Published on 16 November 2005

The reports are available on Lundin Petroleum's website, *www.lundin-petroleum.com* directly after the public announcement in Swedish and English. The reports are sent automatically to shareholders who have requested the information.

341 116

Printed in Sweden
Landsten Reklam – Ljungbergs Tryckeri AB
Photography: Ulf Blomberg, Kaia Moens, André Longchamp and Mattias Bardå

Corporate Head Office
Lundin Petroleum AB (publ)
Hovslagargatan 5
SE - 111 48 Stockholm
Sweden
Telephone: 46-8-440 54 50
Telefax: 46-8-440 54 59
E-mail: info@lundin.ch

President's Office
Lundin Petroleum AB (publ)
6 rue de Rive
PO Box 3410
CH - 1211 Geneva 3
Switzerland
Telephone: 41-22-319 66 00
Telefax 41-22-319 66 65

www.lundin-petroleum.com