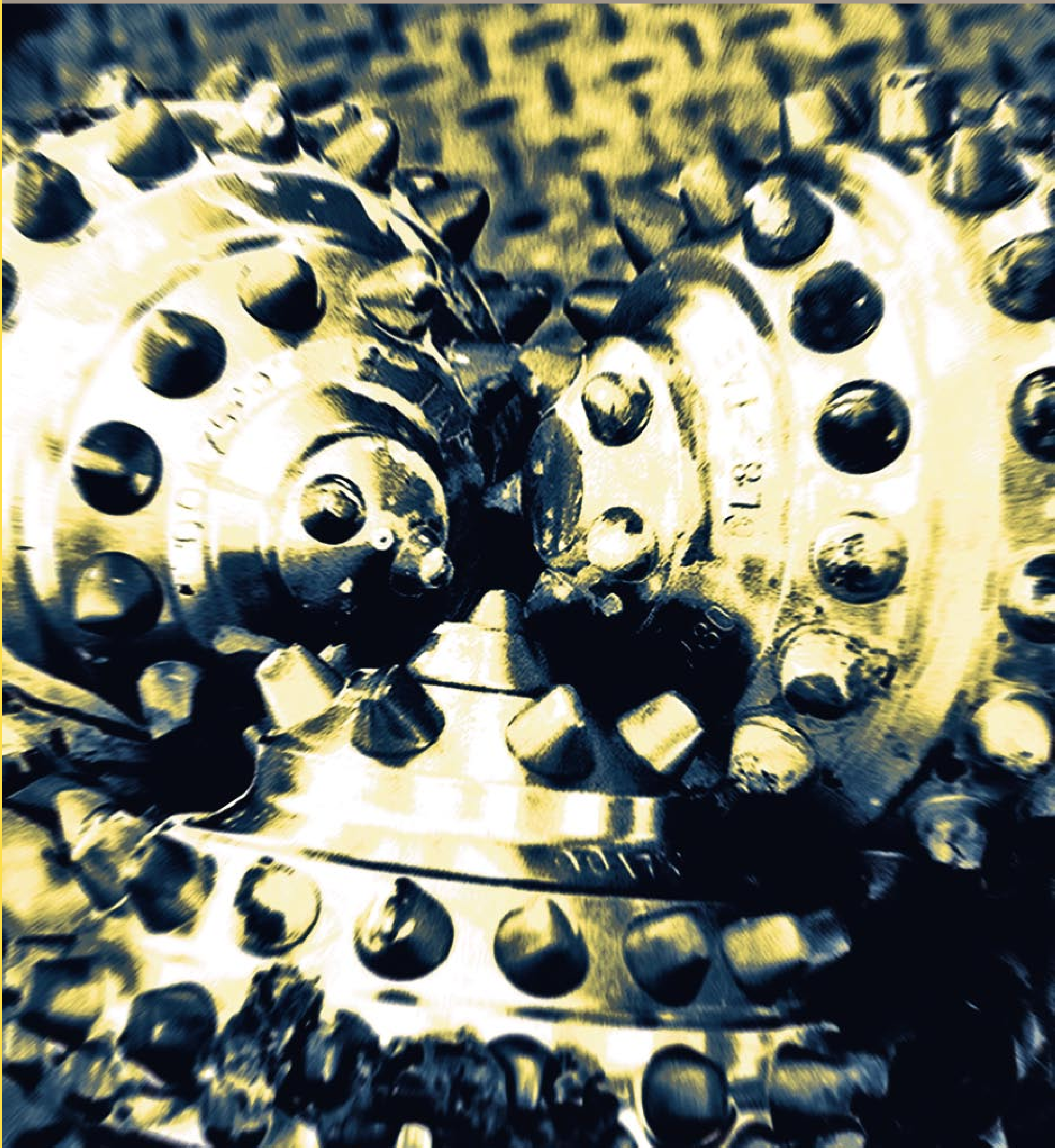
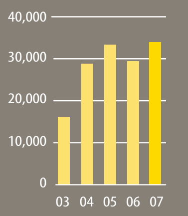
Lundin Petroleum
ANNUAL REPORT 2007

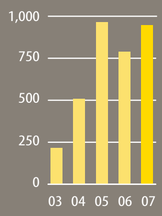


LUNDIN PETROLEUM AT A GLANCE

PRODUCTION (BOEPD)

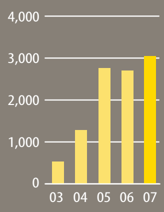


PROFIT (MSEK) [1]

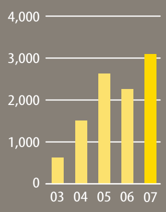


[1] Adjusted to exclude sale of assets

EBITDA (MSEK)



CASH FLOW (MSEK)



YEAR	2007	2006	2005	2004	2003
Net result, MSEK[2]	952.5	794.4	970.0	507.1	218.0
Operating income, MSEK	5,484.3	4,415.5	4,190.2	2,468.3	1,121.5
EBITDA, MSEK	3,048.6	2,731.5	2,782.6	1,281.5	542.8
Cash flow, MSEK	3,126.1	2,271.0	2,627.4	1,502.8	634.6
Earnings, SEK per share[3]	3.02	2.81	3.87	2.37	3.71
Debt/equity ratio, %	21	12	9	45	–
Production in MMboe	12.4	10.7	12.1	9.8	5.8
Production in boepd	34,000	29,400	33,190	28,921	16,062

[2] Excluding result on sale of assets
[3] Fully diluted

HIGHLIGHTS 2007

- Reserve replacement ratio 148%
- Luno discovery, offshore Norway
- Award of 28 new exploration licences

OUTLOOK 2008

- Capital budget for development and exploration over MUSD 725

- Development projects – MUSD 375:
  - Norway Alvheim field, onstream 2008
  - Norway Volund field, onstream 2009
  - UK Broom field, infill drilling
  - UK Thistle field, redevelopment
  - Indonesia – Singa field developemt, onstream 2009

- Exploration programme – MUSD 350:
  - United Kingdom 1 well
  - Norway 2 wells and 3 appraisal wells
  - France 1 well
  - Russia 2 wells
  - Sudan 4 wells
  - Congo (Brazzaville) 1 well
  - Vietnam 1 well
  - Indonesia 5 wells
- Total unrisked prospective resource potential of 1.2 billion barrels in 2008

HISTORY

2001	Lundin Petroleum AB was formed in 2001 as a result of the takeover of Lundin Oil AB by Talisman Energy.
2002	Lundin Petroleum acquires Coparex International with a portfolio of assets in France, Tunisia, Indonesia, Netherlands and Venezuela.
2003	A portfolio of assets in the United Kingdom, Norway and Ireland were acquired from DNO AS.
2004	The Broom field in the United Kingdom was put on stream with gross production in excess of 25,000 boepd.
2005	Broom phase 2 development successfully completed.
2006	The Oudna field in Tunisia was successfully completed and came on stream in November with gross production in excess of 20,000 boepd.
2007	The Luno discovery was made in Norway with gross resources in the range of 65–190 MMboe.

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OVERVIEW

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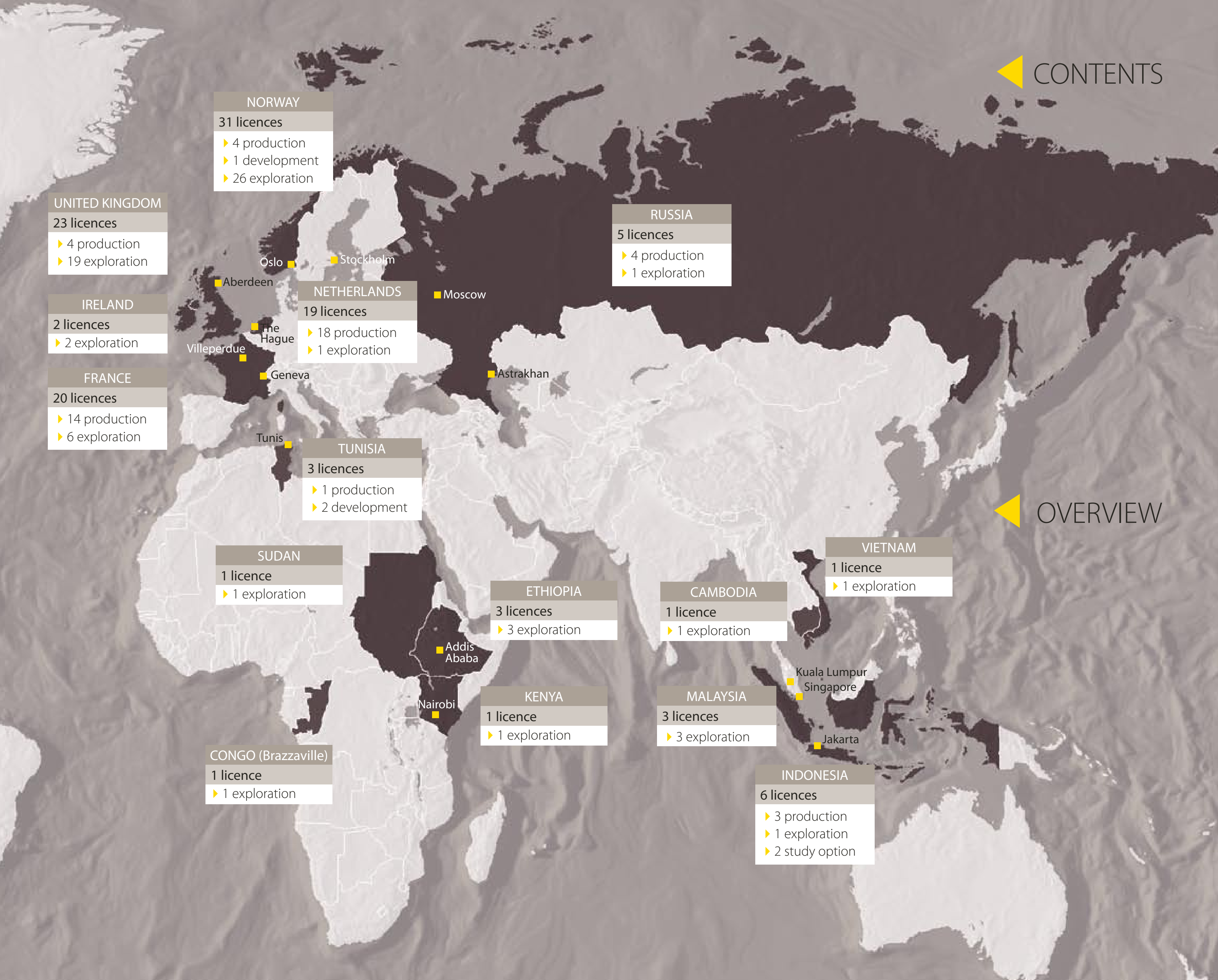
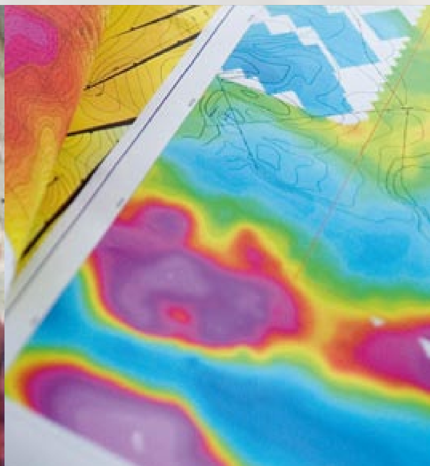


Definitions:
References to "Lundin Petroleum" or "the Company" pertain to the corporate group in which Lundin Petroleum AB (publ) (company registration number 556610-8055) is the parent company or to Lundin Petroleum AB (publ), depending on the context.

Front cover: Drill bit

a capable and responsible company

Lundin Petroleum is a Swedish independent oil and gas company with a strong and diversified portfolio of assets. Our ongoing exploration, development and production projects will ensure Lundin Petroleum's future as one of Europe's leading oil and gas independent companies.



LETTER TO SHAREHOLDERS

C. ASHLEY HEPPENSTALL ▸ PRESIDENT AND CEO

Dear fellow shareholders,

I am very pleased with Lundin Petroleum's progress in 2007, despite frustrating delays to first production from our Alvheim development project in Norway and to our exploration drilling programmes in Russia and Sudan. The Luno exploration discovery in Norway was a major achievement being the largest oil discovery made in the Norwegian North Sea in the last ten years.

2008 has begun on a very positive note. The Alvheim FPSO has now been successfully installed on location and is awaiting first oil. We have commenced exploration drilling in Sudan, have commenced offshore installation of the marine drilling complex for our first exploration well in the Russian Caspian Sea and have completed a successful appraisal well on the Nemo field in licence PL148 offshore Norway.

Our organic growth strategy continues to generate positive results with further increases to our reserves announced at the beginning of 2008. These increases do not include our recent successes in Norway at Luno and Nemo which, when booked, will ensure further increases to our reserve base. We believe in high oil prices and that our continued ability to increase our reserves and production will ultimately lead to increases in shareholder value.

Financial performance

Lundin Petroleum generated a net profit after taxes for the year ended 31 December 2007 of MSEK 952.5 (MUSD 141.1). Operating cash flow for the period was MSEK 3,126.1 (MUSD 463.1) and earnings before interest, tax, depreciation and amortisation (EBITDA) was MSEK 3,048.6 (MUSD 451.6). The increases in net profit after taxes, operating cash flow and EBITDA compared to the previous year were 20 percent, 38 percent and 12 percent.

In 2007, we completed new bank borrowing loan facilities of one billion dollars which were provided by a syndicate of international banks led by BNP Paribas. The availability of this financing strongly improves the financial flexibility of our company and our ability to complete new investments should the right opportunities arise.

Reserves

In 2007, we increased our proven and probable reserves by 12 percent to 184.2 million barrels of oil equivalent (MMboe). The increase came predominantly from the organic replacement of reserves from our existing asset base and as a result, we generated a reserve replacement ratio of 148 percent. This essentially means that for every 100 barrels we produced in 2007, we replaced them with 148 new barrels organically. If we can continue to do this, we will be successful in growing our business.

In addition to its reserves, Lundin Petroleum has further discoveries classified as contingent resources totalling 188.3 MMboe which include last year's Luno exploration discovery and the Nemo field in Norway where we recently drilled a successful appraisal well.

Production

Production for 2007 was 34,000 boepd, an increase of 16 percent compared to 2006 production of 29,400 boepd.

Production for 2007 was essentially in line with expectations apart from the delays to production start-up from the Alvheim field offshore Norway and the turbine fire on the Thistle platform which negatively impacted production in the fourth quarter of 2007.

First oil production from the Alvheim field is expected in the second quarter of 2008. The Alvheim FPSO is now on location and has been hooked up to the production buoy on the Alvheim field. First oil from the Alvheim field will have a major impact for Lundin Petroleum with net production of 14,000 boepd when we reach plateau production.

We are forecasting net 2008 production of 36,500 boepd.

Development

We continue to proactively invest in our resource base to generate production growth. There is currently strong pressure on the oil industry supply chain with frequent delays and cost overruns. This has, and I believe will continue to, put pressure on project schedules and costs. Nevertheless, we continue to invest based upon our confidence in forward oil and gas prices and technically sound projects in our portfolio.

Our development budget for 2008 is USD 375 million. In Norway, in addition to Alvheim, the Volund development is progressing well and will add further production growth in 2009. In the United Kingdom, the redevelopment of the Thistle field is well-advanced with new 3D seismic having been acquired in 2007 and the platform rig reactivation to be completed in 2008. And in Indonesia, the development of the Singa gas field is ongoing with first gas in 2009.

Our first appraisal well in 2008 on the Nemo field, offshore Norway was positive. Our reserve estimates for the field will most likely be raised upwards and we are now looking to move forward to produce a plan of development for this field. Further appraisal drilling will take place later this year on the SE Tor field, offshore Norway. The success of our appraisal programme is further evidence of our ability to monetise fallow discoveries through proactive investment.

Exploration

The discovery of the Luno field, offshore Norway with our first operated well in Norway was a major achievement for the company. We own 50 percent of PL338 containing the Luno discovery and are operator. Through proactive exploration using modern seismic imaging techniques, we were able to identify this "new play concept" which other major oil companies had been unable to discover over the last forty years. We estimate that the discovery contains between 65 MMboe and 190 MMboe of recoverable reserves in the Jurassic reservoir with further upside in the Triassic reservoir. An appraisal well will be drilled in the second quarter of 2008. We hold material equity positions in the adjoining acreage to the Luno discovery where we believe there is potential for further discoveries using the same play concept.

In Russia, we have made excellent progress in relation to drilling our first exploration well on the Lagansky block in the Northern Caspian Sea. In 2007, we received approval from the Russian licensing agency Rosnedra to our proposed amendments to our licence commitments and early this year we received the drilling permit from Rosprirodnazor. The marine drilling complex is complete and has mobilised to location for drilling of the Morskaya-1 exploration well in the second quarter of 2008. The subsurface potential within the Lagansky block is excellent and was further improved in 2007 with the upgrading of the Petroskaya lead to a prospect as a result of new seismic. A four well exploration programme is planned in 2008/2009 on the Lagansky block.

Exploration drilling has finally commenced in Block 5B in Sudan. We now look forward to an extended period of exploration drilling in Block 5B to test the large hydrocarbon potential of the area. Four exploration wells are planned in Block 5B in 2008.

Our organic growth strategy is exploration-driven. We acquired 28 new licences in 2007 with continued investment in our core areas particularly the North Sea but also with new deals in Vietnam, Cambodia, Kenya, Congo (Brazzaville) and Ethiopia. We have begun 2008 with the award of ten new licences in Norway and Malaysia. It is essential for our long term growth that we continue to identify new areas of exploration interest to generate the drilling opportunities of tomorrow. We continue to face ever-increasing competition for acreage particularly from the emerging National Oil Corporations and as such, it is extremely pleasing that our New Venture teams are able to secure new areas of prospectivity. We will continue to seek new ground floor deals in direct negotiation with foreign governments and, when appropriate, enter into selective farm-in deals which complement our exploration strategy.

Oil markets

We are living in a world of high commodity prices. Despite the impact of a likely US recession, I still share the market's view of continued high oil prices. The forward oil markets are today pricing over USD 95 per barrel of oil for a number of years despite the recent sell-off in world equity markets. The oil price is driven by ever-increasing demand from the developing world coupled with supply pressure and an uncertain geopolitical climate.

The world economy has grown over the last 100 years fuelled by abundant and cheap sources of energy. This has resulted in ever-improving living conditions, healthcare and lifestyle for the majority of the world's population. Notwithstanding the logical desire to diversify energy supply to renewable sources, it is realistic to assume that the world will be reliant upon fossil fuels for many years to come as a reliable form of energy to grow economies and continue to improve the world's standard of living. The oil and gas industry continues to have a major role to play in meeting future energy demand in a safe and environmentally friendly way.

There is no question that the current debate on the cause and implications of climate change is extremely important. At Lundin Petroleum, we continue to focus upon ways of reducing emissions and increasing energy efficiency. However, balancing the requirement to produce fossil fuels and provide energy security with the implications for climate change is a complex and difficult issue. I believe solutions can be found and we will continue to be involved in such debate for the common benefit of all our stakeholders.

Yours sincerely,

C. Ashley Heppenstall
President and CEO

WORDS FROM THE CHAIRMAN

IAN H. LUNDIN ‣ CHAIRMAN OF THE BOARD

Dear fellow shareholders ,

I would like to begin this letter by quoting the International Energy Agency in its World Energy Outlook, 2007. The Executive Summary is available online and is a must read for any investor in the energy field (www.worldenergyoutlook.org).

"The world's primary energy needs in the Reference Scenario are projected to grow by 55 percent between 2005 and 2030, at an average annual rate of 1.8 percent per year. Demand reaches 17.7 billion tonnes of oil equivalent, compared with 11.4 billion tonnes in 2005. Fossil fuels remain the dominant source of primary energy, accounting for 84 percent of the overall increase in demand between 2005 and 2030. Oil remains the single largest fuel, though its share in global demand falls from 35 percent to 32 percent. Oil demand reaches 116 million barrels per day in 2030 – 32 MMbopd (mb/d), or 37 percent, up on 2006. In line with the spectacular growth of the past few years, coal sees the biggest increase in demand in absolute terms, jumping by 73 percent between 2005 and 2030 and pushing its share of total energy demand up from 25 percent to 28 percent. Most of the increase in coal use arises in China and India. The share of natural gas increases more modestly, from 21 percent to 22 percent. Electricity use doubles, its share of final energy consumption rising from 17 percent to 22 percent. Some USD 22 trillion of investment in supply infrastructure is needed to meet projected global demand. Mobilising all this investment will be challenging."

So for those who think that the oil era is coming to an end, think again. What the IEA does not grasp fully in my opinion is that world oil production is now reaching its peak at roughly 90 million barrels per day (or more than 30 billion barrels per year). The best we can hope from now on is that the decline will not be too drastic, but even that will require massive investments. The peaking of oil production is being felt in the market; in spite of talk of economic slowdown and lower consumption the oil price is knocking down new records almost on a daily basis. USD 100 per barrel will soon be remembered as the good old days of cheap oil.

For Lundin Petroleum this only means one thing, we have to continue to get maximum exposure to new oil and gas discoveries and thereby increase our reserves base in an organic and efficient way. 2007 was a good year for the Company in terms of new licence awards with a total of 28 contract areas awarded in six countries. We expect to sign several new production sharing contracts in 2008. We now have an enviable acreage position in Europe, Africa and South-East Asia. Our ongoing active exploration effort is starting to bear fruit. In Norway we have made what could be the largest discovery the country has seen in the past ten years with our first ever operated well in the Norwegian Continental Shelf; the exploration well 16/1-8 on the Luno prospect on PL338. As a result of this well and another successful test in the UK sector our contingent reserves were increased by some 40 percent last year. With the recent award of seven new licences in the latest Norwegian APA licensing round, Lundin Petroleum is placing itself as the most important independent oil company operating in Norway. 2008 will see the drilling of a dozen high potential wells including the long awaited and numerously delayed wells in the Muglad Basin of Sudan and in the Russian sector of the Caspian Sea.

On the production side the importance is to maintain strong growth. From 2006 to 2007 we grew our average daily production by a respectable 16 percent and we expect to grow it by another (more modest) 6-10 percent from end to 2007 to end 2008. Furthermore our replacement ratio continues to exceed 100 percent (148 percent in 2007) simply by applying good oilfield practice and the most modern production tools available. It is worth pointing out that most major and super major companies have seen declines in their production in the last couple of years let alone the fact that their replacement ratios are way below 100 percent. Our near term production growth will come more or less exclusively from Norway and more precisely the Alvheim field which is due to come on stream during the second quarter of 2008.

Beyond that Volund is due on stream towards the end of 2009 (as a tie-in to Alvheim) and there are several potential developments of existing discoveries in the North Sea which will follow in 2010 and beyond.

Lundin Petroleum has also continued to evolve as a good corporate citizen with a strong commitment to social and environmental responsibility. The success of our various operations around the world depends to a large extent on the positive impact we have on the local communities, initially through local employment and community projects and eventually through oil revenues.

On the environmental front, we are acutely aware of the ongoing debate surrounding climate change. There is no doubt that the growing hunger for energy in the emerging markets of the world economy is in direct conflict to the stated requirement to reduce our CO_2 emissions. However the unprecedented growth of these markets is transforming living standards for billions of people. There can be no question of asking these countries selectively to curb growth so as to solve problems which are global. What we can do is to increase efficiency and reduce waste at all levels of the company without affecting productivity. Our objective is to ingrain energy saving and the recycling of waste into our corporate culture as should be the case for all responsible organisations and institutions.

Finally I would like to sincerely thank all the employees of Lundin Petroleum on behalf of the Board for their hard work, dedication and strong motivation to achieve the ambitious targets we have set for ourselves. I also thank you, fellow shareholders, for your ongoing support.

Sincerely,

Ian H. Lundin
Chairman of the Board

VISION – STRATEGY

VISION

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

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

STRATEGY

Lundin Petroleum is pursuing the following strategy:

- Proactively investing in exploration to organically grow its reserve base. Lundin Petroleum has an inventory of drillable prospects with large upside potential and continues to actively pursue new exploration acreage around the world.
- Exploiting its existing asset base with a proactive subsurface strategy to enhance ultimate hydrocarbon recovery. Lundin Petroleum is investing actively in mature assets through infill drilling, workovers and enhanced recovery techniques to increase value.
- Acquiring new hydrocarbon reserves, resources and exploration acreage where opportunities exist to enhance value.

Lundin Petroleum business concept

Lundin Petroleum is an independent upstream oil and gas company and in order to grow our business we seek to be involved in all cycles of the business. The heart of an oil and gas company is our reserves – the oil and gas which we have discovered and which can be economically and commercially extracted. This reserve base provides our production which in turn generates cash flow and profitability.

Our objective is to increase our reserve base through organic growth and at times supplemented by acquisitions. If our reserve replacement ratio is greater than 100 percent then for every barrel produced we have been successful in replacing that barrel with at least another barrel and thereby are able to grow our business.

To achieve this growth we are continually making investments to increase our oil and gas licences, prospective resources and contingent resources. We increase our licences predominantly through direct negotiations with host governments as well as acquiring interests from other oil and gas companies. We then invest in the likes of aeromagnetic and seismic studies and our geologists and geophysicists conduct studies to identify drillable exploration prospects on our licences.

An exploration prospect is a structure which has the potential to contain hydrocarbons but which has to be drilled to confirm success. We invest heavily in exploration drilling to confirm whether our exploration prospects contain oil and/or gas. If this exploration drilling is successful in identifying hydrocarbons the discovered resources are added to our contingent resource portfolio.

The economists, reservoir engineers, facilities engineers, development geologists and commercial team seek to put in place an economically viable plan to extract these resources. If we are successful, the contingent resources in question moves into reserves. Further investment is made to develop those reserves through building infrastructure and drilling further production wells. The end result is commercial production.

The cycle from licence negotiation, through seismic acquisition, exploration drilling, development plan preparation and execution and finally production can take many years. As such we are constantly seeking to increase our exposure to all areas of the upstream cycle. Our objective is to increase our licences, prospective resources, contingent resources, reserves and production to generate increased shareholder value.

RESERVES AND RESOURCES

CHRIS BRUIJNZEELS ▸ VICE PRESIDENT RESERVOIR & PRODUCTION

Reserves

Lundin Petroleum, like most companies in Europe, calculates reserves and resources according to the SPE/WPC definition of petroleum resources. This definition was first published in 1997 by the SPE (Society of Petroleum Engineers) and WPC (World Petroleum Congress) in an effort to standardise reserves reporting and has been further clarified by the Petroleum Resource Management System in 2007.

Reserves are defined as those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. Estimation of reserves is inherently uncertain and to express an uncertainty range, reserves are subdivided in Proved, Probable and Possible categories. Lundin Petroleum reports its reserves as Proved plus Probable reserves, also abbreviated as 2P.

Lundin Petroleum's reserves are calculated using forward projections of production levels, work programmes and the associated capital investment and operating cost levels. From these projections the last year of economic production is calculated, given an assumed oil price scenario. The aggregate production until this economic cut off point constitutes the reserves. Lundin Petroleum has used a long term oil price scenario of USD 65 per barrel for this calculation.

Each year Lundin Petroleum's reserves base is certified by an independent reserves auditor. Over the last years Gaffney, Cline and Associates (GCA) has performed this service. GCA is one of the largest independent reserves certifiers in the world and this year GCA certified 184.2 MMboe (million barrels of oil equivalent) of 2P oil and gas reserves net to Lundin Petroleum as at 1 January 2008, which is an increase of 12 percent compared to last year's reserves and Lundin Petroleum replaced last year's production by 148 percent from revisions in the existing reserves base as well as increases by moving contingent resources into reserves.

In particular 2P reserves in Norway and the United Kingdom increased as a result of the inclusion of the Peik field. This, coupled with increased reserves for the Thistle and Alvheim fields more than offset our 2007 production in these countries. Similarly our successful redevelopment of the Rhethian fields in France has resulted in a net increase in our 2P reserves. The acquisition of the Carr licence interests in 2007 further increased our French reserves. Reserves in Tunisia, Netherlands and Indonesia were reduced due to production. A downward adjustment was made to the Russia 2P reserves as a result of GCA's first full audit of the Russian assets.

During the last 5 years Lundin Petroleum has demonstrated its ability to grow its acquired reserves organically. The reserves growth graph shows that despite production, our French reserves are now 12 percent higher and our Indonesian reserves are 25 percent higher than after their acquisition in 2002. Our Norwegian reserves have increased by 57 percent since the DNO acquisition in 2004. And despite large volumes produced from the Broom field, our United Kingdom reserves today are 7 percent higher than at the end of 2004.

Contingent resources

In addition to its certified reserves, Lundin Petroleum has a number of discovered oil and gas resources which currently do not classify as reserves. According to the SPE/WPC these classify as contingent resources. Contingent resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable. In addition a viable development strategy has to be developed to allow contingent resources to be categorised as reserves.

Lundin Petroleum has an estimated 188.3 MMboe of contingent resources. These resources are not reserves, because further work is required to mature them. During 2007 some 20 MMboe of contingent resources were matured into 2P reserves. Contingent resources have been replenished by some 70 MMboe from the recent Luno and Scolty discoveries in the North Sea.

Lundin Petroleum has an active work programme to further mature contingent resources into reserves. Additional seismic has been shot over the Heather, Broom, South West Heather and Thistle fields. Study work is scheduled for 2008 to identify additional development targets. Appraisal drilling in PL006 and PL148 and Luno in Norway is scheduled for 2008 as well as exploration in the United Kingdom and Congo which could allow already drilled and discovered contingent resources to be matured into reserves.

Lundin Petroleum estimates its contingent resources in exactly the same manner as its reserves, be it that an additional maturation work plan is associated with these resources. There is a chance that identified resources will not mature into reserves.

Prospective resources

It is important to realise that Lundin Petroleum's contingent resources are not the same as Lundin Petroleum's exploration resources. Under the SPE/WPC definitions exploration resources are classified as prospective resources. Prospective resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.

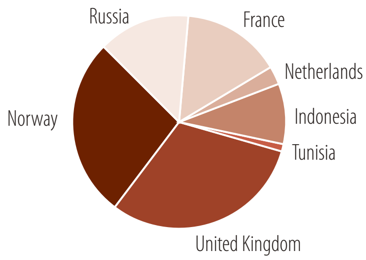
Lundin Petroleum has a large portfolio of exploration licences. These exploration licences are evaluated using techniques like gravity and magnetic surveys, geochemical surveys, seismic surveys and basin analysis. This analysis results in a long list of leads and drillable prospects. Only drillable prospects are categorised as prospective resources by Lundin Petroleum. Leads are identified potential hydrocarbon accumulations that will require additional study before they are matured in prospects and appear in drilling plans. Prospects are ready to drill. It is important to realise that prospects and leads carry exploration risks, which result in a chance of not finding commercial hydrocarbons. These risks are identified by Lundin Petroleum and help management in ranking exploration activities.

In 2008 Lundin Petroleum is planning to drill (operated and non-operated) 17 exploration wells targeting in total 1.2 billion boe of unrisked prospective resources net. Lundin Petroleum estimates more than 1.9 billion boe of net unrisked prospective resources, which could be targeted by exploration work programmes in 2009 and beyond.

Organic growth

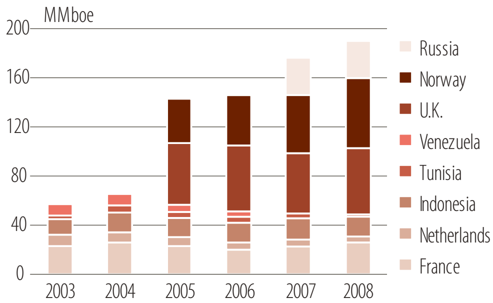
As an integrated exploration and production company, Lundin Petroleum is continuously aiming to grow the business by identifying exploration targets and maturing them into drillable prospects, and thus increase its prospective resource base. Successful exploration discoveries following drilling activity results in prospective resources moving into contingent resources. After formulating a development strategy and demonstrating commerciality, contingent resources are moved into reserves.

Proven and Probable Reserves

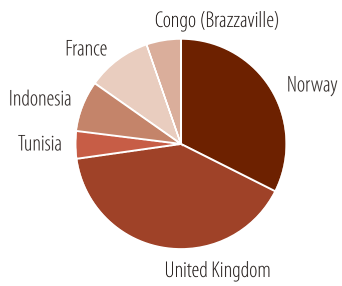


Proven and Probable Reserves
184.2 MMboe at 1 January 2008

Reserves Growth

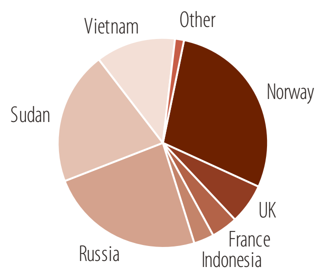


Contingent Resources



Contingent Resources Internal Estimate
188.3 MMboe net Lundin Petroleum

Prospective Resources



Unrisked Prospective Resources Internal Estimate
3.1 billion boe net Lundin Petroleum

MARKET OVERVIEW

GEOFFREY TURBOTT ▸ VICE PRESIDENT FINANCE & CFO

Economic growth

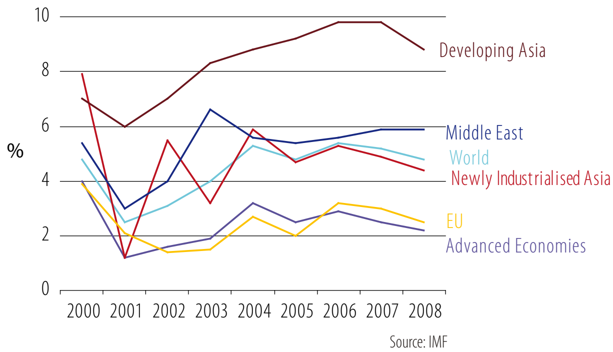
Economic growth plays an important part in influencing the demand for oil and oil products, particularly in developing countries where strong economic growth tends to go hand in hand with increasing demand for oil.

Since the turn of the century, worldwide GDP growth has increased by an average of 4.4 percent per annum. This rate of growth is significantly above the long term trend rate, and represents an average increase of over 1 percent compared with the previous two decades. Strong growth in the Middle East and developing Asia has played an important part in this period of above-average growth.

The forces of globalisation, whereby national economies become more integrated into the international economy through trade, have resulted in this period of economic expansion being one of the most prolonged and synchronised in recent history. And whilst the current focus centres on forecasts of weaker growth or even recession in the US and other developed economies, against a backdrop of the crisis in credit markets, developing Asia and the Middle East continue to exhibit a robust economic performance.

The interaction between slowing growth in the developed world and the continued expansion in developing nations will continue to exert significant influence on oil markets.

GDP Growth



Source: IMF

Crude oil demand

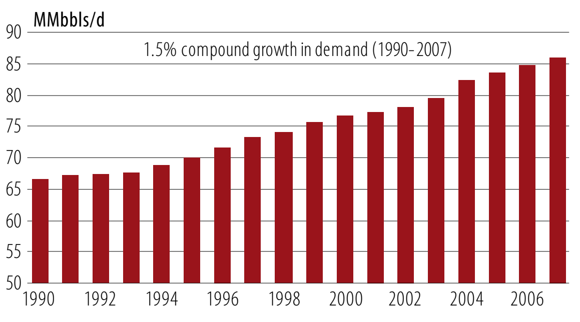
From 2000 to 2007 oil demand grew by 9.3 million barrels per day. To put this growth into context, this equates to the combined 2007 liquids production of Exxon, BP, Total, Chevron and ENI. The bulk of this additional demand came from non-OECD countries, with only 1.2 million barrels per day coming from the developed world. China alone accounted for around 30% of this or 2.8 million barrels per day.

It is evident that the process of industrialisation in China and rising living standards in developing Asia is increasing demand for oil. Based upon the experience of the US, Japan and Korea, there is some way to go before China and India follow the same path as other recently industrialised economies in the region.

Today, China and India consume just over 2 barrels of oil per capita per annum. In the US, consumption is 25 barrels per capita, and in Japan and Korea that figure amounts to 14 and 16 barrels per capita respectively. A mere addition of 5 barrels per capita in China alone, translates into a demand increase of 18 million barrels of oil per day, and would clearly add further pressure to the supply side. Each per barrel increase per capita consumption in India amounts to an increase in demand of 3 million barrels of oil per day.

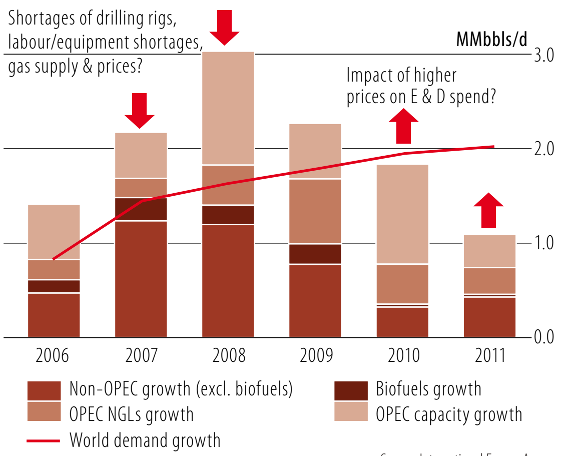
So whilst there are various analysts forecasting a slowdown of oil demand based upon short term economic trends in the developed world, we believe developing Asia will continue to provide support to oil demand over the medium to long term.

Oil Demand



Source: EIA

Spare Capacity



Source: International Energy Agency

Oil supply

Meeting the consumption requirements of an expanding world economy has become even more challenging. New supply additions from non-OPEC countries such as Russia and Brazil are projected to provide only modest short term supply growth. Given the pace of decline witnessed in some of the more mature producing areas such as the United States and North Sea, the medium term outlook for non-OPEC liquids growth looks set to remain relatively flat at best.

This increases the call on OPEC to fill the gap at a time when spare capacity stands at levels around half those seen at the turn of the century. The IEA's outlook for OPEC spare capacity above, demonstrates the difficulty OPEC faces in parallel with the rest of the industry as producers aim to keep up with demand growth. The ability to sustain investment at levels capable of delivering the capacity expansion required to satisfy growing consumption will remain a challenge for OPEC and non-OPEC producers alike, particularly in today's environment of tight markets for upstream equipment and services.

The result has been a significant upward pressure in the price of crude oil.

Resource access

Whilst there are still significant resources remaining to be developed, the key is ensuring that this can happen in a timely and orderly manner, within the constraints of the system.

Certainly, recent market price signals are pointing towards an era of relative scarcity and our challenge as a company is to position ourselves, whereby we continue to grow our reserves base and thereby increase our production levels within a climate of strong commodity prices. This will naturally flow through into value creation for our shareholders.

Our greatest challenge is to continue to develop our relationships with stakeholders in the key producing nations as well as prospective new areas, thereby maintaining a balanced portfolio. As a smaller independent company, which can make decisions quickly, we see this as an opportunity.

Cost pressure

Strong commodity prices have driven up company revenue and cash flow. In turn, and particularly since 2004, this has fuelled a surge in upstream investment, as National Oil Companies and International Oil Companies expand their budgets in an effort to increase resource and production levels in response to higher demand and higher prices.

However, the service sector, like the refining sector, has gone through a sustained period of underinvestment in both people and equipment. This dates back to the late 1980's and 1990's, driven by a period of low oil prices. In parallel, strong economic growth and particularly growth in developing Asia has driven up demand across almost all raw material markets, many of which are used in the oil industry.

The result has been a period of significant cost inflation within the industry, from drilling costs, to equipment costs, with particular upward pressure on costs of some of the more specialised equipment required for producing hydrocarbons. A lack of skilled people has created further pressure. Lead times for equipment have also lengthened leading to higher project management costs and a number of delays in project completion dates.

Recent research by IHS-CERA tracking a basket of upstream project costs demonstrates how costs have almost doubled since 2005.

Higher prices for services and equipment send a strong signal to add capacity, and there are signs that this is taking place. However, the long lead times required to construct the specialised equipment required, and train skilled people is likely to keep up pressure on costs in the short term.

Margins

Higher project costs have increased average finding and development costs for upstream companies three fold, from USD 5.00 per barrel in 2000 to USD 15.00 per barrel in 2006.

Higher costs coupled with increased technological challenges of developing the marginal barrel (e.g. deepwater or unconventional plays) are exerting pressure on margins.

Whilst absolute margins remain high, margins as a percentage of revenues are being squeezed.

Relatively higher government takes are also putting pressure on margins as contracts with higher government takes in times of higher profitability begin to take effect and governments introduce new measures aimed at taking a greater share of profits.

OPERATIONS

ALEXANDRE SCHNEITER ▸ EXECUTIVE VICE PRESIDENT & COO

Our success continues to be driven by our ability to increase reserves and production. Since Lundin Petroleum was established in 2001, we have not only been able to replace our produced reserves but have also added additional reserves by proactive investment in our existing assets and by making new acquisitions.

In 2007, we increased our contingent resources by 40 percent. Our reserve replacement ratio, which reached 148 percent, was mainly driven from our operations in the United Kingdom, Norway and France. 2007 marks the year when the Luno and Scolty fields were discovered in Norway and the United Kingdom respectively. These discoveries allowed us to book 70 MMboe of what used to be prospective resources into new contingent resources. Luno, being the largest discovery on the Norwegian Continental Shelf in ten years, will be appraised during 2008 in order to further prove the potential in the Jurassic reservoir and the upside potential in the Triassic reservoir. In the United Kingdom, a Scolty look-alike structure will be drilled on the same block towards mid-2008. We are aiming to move a significant portion of our contingent resources into proven and probable (2P) reserves with our 2008 appraisal programme for PL338 (Luno discovery), PL148 (Nemo discovery) and PL006c (South East Tor discovery).

On the development side, 2007 was marked by the ongoing Alvheim field development in Norway which despite significant delays is expected to start production by end of April. In parallel, the development plan for the Volund field was approved with first oil scheduled for the second half of 2009. Feasibility studies for the Peik field are well underway and a plan of development is anticipated to be submitted in 2009. In the United Kingdom, facilities upgrades of both the Heather and Thistle platforms are progressing as planned. Redevelopment with infill drilling activities on the two fields are planned to start in the second half of 2008 in Thistle and in 2009 in Heather. Two large new 3D seismic acquisitions were successfully acquired in 2006 and 2007 over the Broom/Heather and Thistle fields respectively, with detailed subsurface studies ongoing in preparation for the upcoming drilling campaign. The Broom infill well successfully reached its total depth with good results over the main producing reservoir. The well has succesfully come on stream in April 2008. Finally, our gas field development in the Lematang block in Indonesia (the Singa gas field) is progressing according to plan following the signing of a Gas Sales Agreement in 2007. First gas from the Singa field is anticipated in 2009.

In respect of production, we achieved an average of 34,000 boepd for the year, an increase of 16 percent compared to 2006. The gap between our actual and forecast 2007 production was mainly due to the delay of Alvheim first oil. Overall performance in the United Kingdom improved significantly compared to 2006 but was negatively impacted towards the end of the year by the Thistle fire incident. I am very pleased with the manner in which our team handled this incident and I am confident that the performance of our United Kingdom operations will continue to improve.

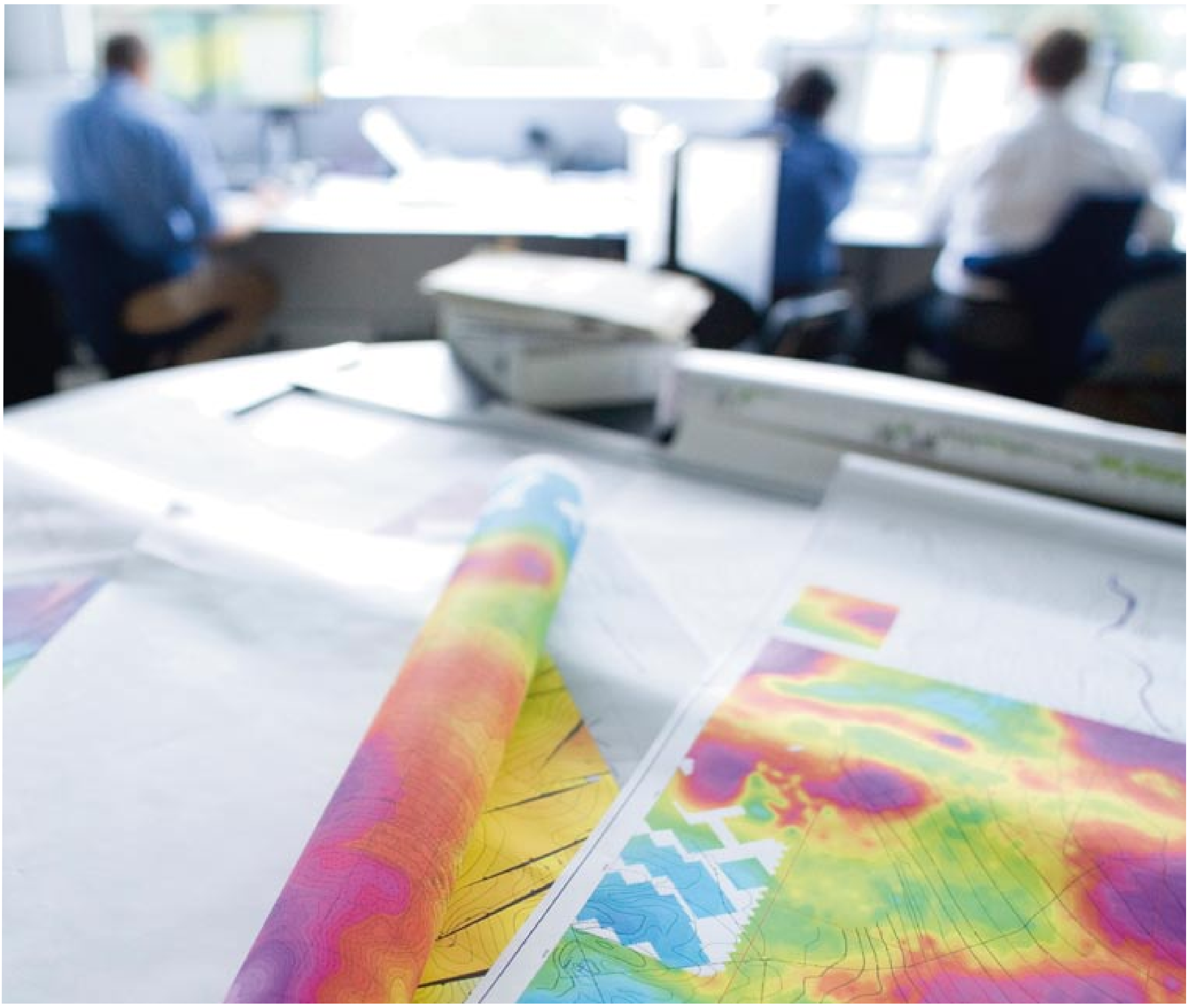
Our exploration drilling programme in 2007 consisted of a total of nine exploration wells drilled resulting in three discoveries, which represents a success ratio of 33 percent. The programme was marked by two significant events. Firstly, the Luno discovery in Norway, which will be appraised in 2008, and secondly the award of 28 new licences. This is the result of our successful strategy to grow organically by focussing on our core areas of operations. This approach is allowing us to invest in a long term exploration drilling programme with 17 firm wells planned in 2008 targeting over 1.2 billion barrels of unrisked net prospective resources and an estimated 25 additional exploration wells in 2009 with over one billion barrels of targeted unrisked net prospective resources. I am confident that this strategy will continue to lead to further discoveries and significant organic reserve growth in the coming years.

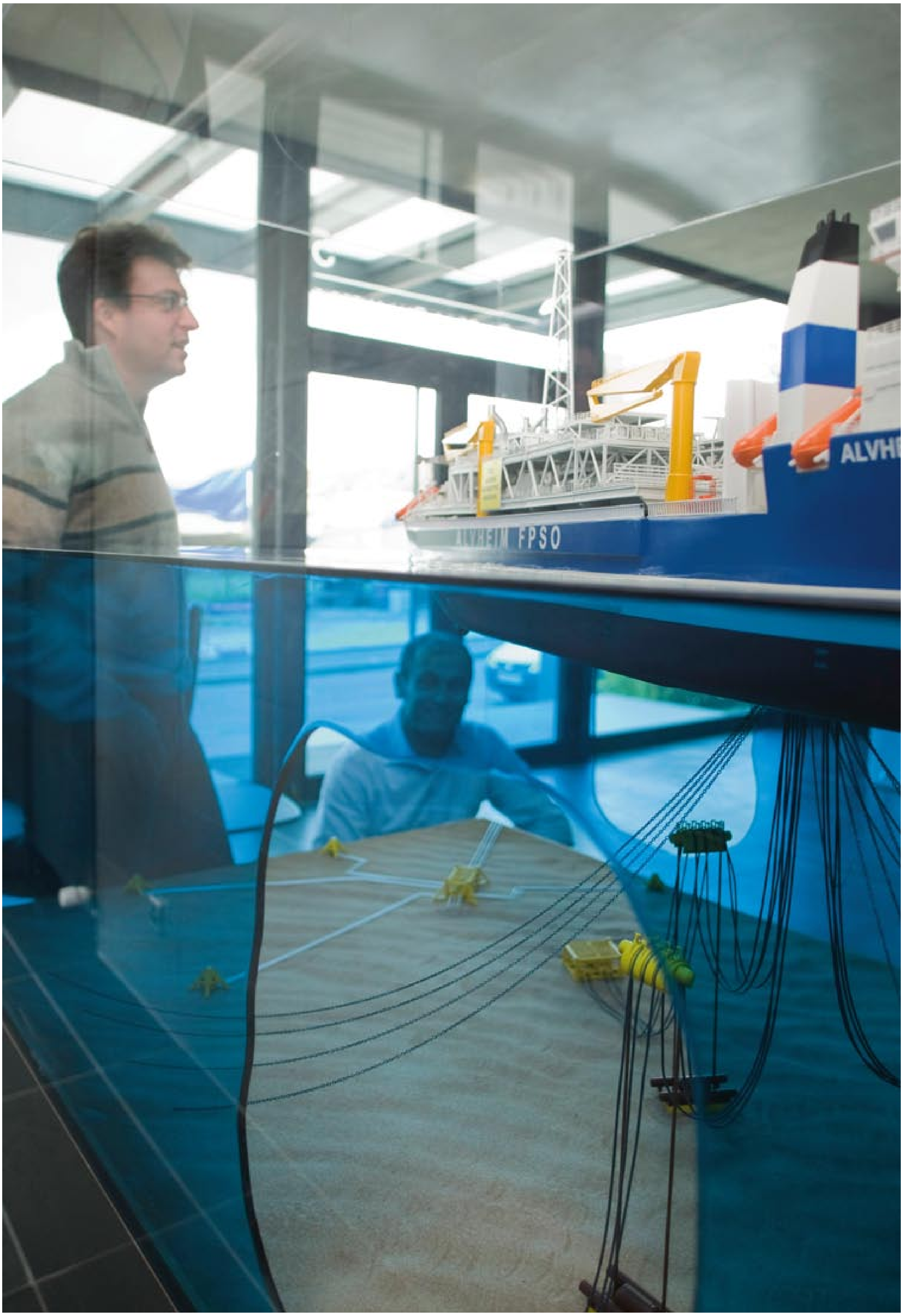
In Sudan, the drilling programme is now well under way and good progress has been achieved in the Lagansky block in Russia with the first exploration well scheduled for the second quarter of 2008.

I am proud of what has been achieved in 2007 with new discoveries, significant reserves and resources increases and increased production. New licence awards will allow the Company to maintain a continued high level of exploration activity into the future. Such achievements are the results of a very dynamic, professional and dedicated group of people. We are privileged to have such a great team.

I expect exciting times ahead!

Alexandre Schneiter
Executive Vice President & COO




ALVHEIM FPSO

OPERATIONS – EUROPE

NORWAY

- Reserves: 57.0 MMboe
- Contingent resources: 105.4 MMboe
- Unrisked prospective resources: 880 MMboe
- 2007 average net production: 680 boepd

Norway is one of the principal areas of operation for Lundin Petroleum. The existing portfolio of licences comprises the full spectrum from exploration to mature producing assets.

The Alvheim development project (Working Interest (WI) 15%) will come on stream in the second quarter 2008. Alvheim is one of the largest oil development projects in Norway with gross reserves above 200 million barrels and forecast gross plateau production of 90,000 boepd. It involves the drilling of 13 development wells of which six have already been successfully completed. There is further reserve potential in the greater Alvheim area from existing discoveries which are not part of the initial development plan and from further exploration potential.

The Volund field (WI 35%) development plan (located south of Alvheim), received approval from the Norwegian government and is planned to come on stream as a sub-sea tieback to the Alvheim facilities in 2009. Gross plateau production is forecasted to be approximately 25,000 boepd.

The Luno exploration well in licence PL338 (WI 50%), operated by Lundin Petroleum, was successfully completed as an oil discovery in late 2007. The size of the discovery is estimated at between 65 MMboe and 190 MMboe of gross recoverable oil from the Jurassic reservoir with additional upside potential from the Triassic reservoir. The Luno discovery will be further appraised in 2008 prior to an expected development decision.

There are further contingent resources in Norway with a number of undeveloped discoveries in the portfolio. These contingent resources are proactively managed with a number of appraisal wells being drilled in 2008.

Lundin Petroleum has an extensive portfolio of some 26 exploration licences. Two and a half years of rig capacity have been secured from 2009 which will result in a continued active exploration drilling programme in Norway.

All reserves, resource and production figures are net to Lundin Petroleum.

UNITED KINGDOM

- Reserves: 53.8 MMboe
- Contingent resources: 60.3 MMboe
- Unrisked prospective resources: 192 MMboe
- 2007 average net production: 13,670 boepd

The United Kingdom Continental Shelf (UKCS) is a core producing area for Lundin Petroleum. The major operated assets include two mature producing fields, Thistle (WI 99%) and Heather (WI 100%), and the Broom sub-sea development (WI 55%) which is tied back to the Heather platform. Successful infill drilling has been completed on the Broom field that came on stream in April 2008. The Broom Field will extend the life of the Heather field providing substantial production and reserves.

Lundin Petroleum also has a portfolio of exploration licences with upside potential to further grow the reserve base on the UKCS.

A long term investment programme to upgrade the Heather and Thistle production facilities is ongoing. Redevelopment with the reinstallation of respective drilling rigs resulting in upcoming infill drilling activities are planned for the Thistle platform in 2008 and Heather in 2009. This will ensure extended life for both platforms and enhance production levels. Two 3D seismic acquisition programmes were completed in 2006 and 2007 over the Broom/Heather field and the Thistle field. Interpretation and detailed subsurface studies are ongoing prior to the upcoming drilling campaign.

In addition third party business is actively being pursued which will help to reduce operating costs and further extend the lives of the Heather and Thistle facilities.

Exploration activities during 2007 resulted in the Scolty discovery in licence P1107 (WI 40%). In 2008 a similar seismic amplitude anomaly (the Torphins prospect) will be drilled in the block.

FRANCE

- Reserves: 25.8 MMboe
- Contingent resources: 9.6 MMboe
- Unrisked prospective resources: 128 MMboe
- 2007 average net production: 3,480 boepd

The French assets are in proven mature late life developed production areas. In the Paris Basin (WI 33.3-100%) and Aquitaine Basin (WI 50%), production is optimised by using a variety of work-over techniques, water injection and development drilling programmes. With successful water injection techniques, so called cold water fracs, improved performance and production rates have been achieved in several fields in the Paris Basin. Facilities and infrastructure are in place with excess capacity to enable a rapid development of new reserves.

Further exploration opportunities and exploitation of contingent resources are being pursued to increase French production.

The French assets generate low depletion and predictable long term production for Lundin Petroleum.

NETHERLANDS

- Reserves: 4.9 MMboe
- Unrisked prospective resources: 1 MMboe
- 2007 average net production: 2,250 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.

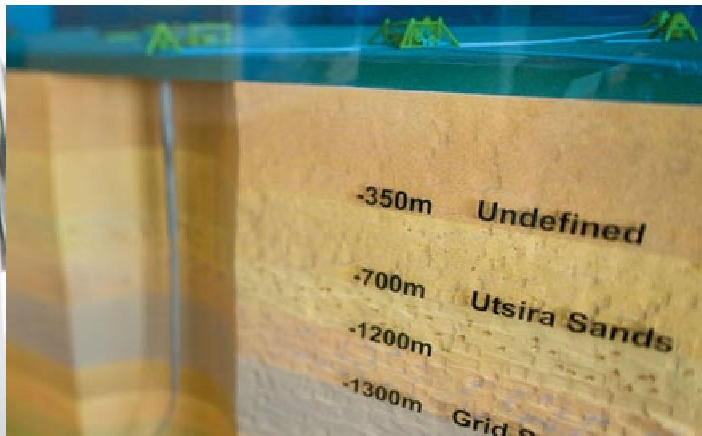
The produced gas is sold to Gasterra under long term contract in accordance with the Dutch governments small gas field policy.

IRELAND

- Unrisked prospective resources: 29 MMboe

Lundin Petroleum has two non-operated exploration licences offshore Ireland in the Slyne Basin (Inishmore licence 50%) and the Donegal Basin (Inishowen licence 40%).

A exploration programme including seismic acquisition is planned.



SUDAN

- Unrisked prospective resources: 634 MMboe

Lundin Petroleum has a 24.5 percent working interest in Block 5B operated by White Nile (5B) Petroleum Operating Company Ltd. (WNPOC), a joint operating company owned by Petronas Carigali and Sudapet.

Block 5B is located in the prolific Muglad Basin adjacent to fields with production of over 300,000 barrels per day. The block contains numerous large prospects and leads identified from earlier acquired seismic.

A four well exploration drilling programme in Block 5B has commenced with net unrisked prospective resources of over 500 MMboe. Three wells will be drilled using a barge mounted drill-rig in the wetland swamp area adjacent to the Nile. An additional well was completed in a "dry land" location using a conventional land rig. The well was plugged and abandoned as a dry hole.

To further evaluate the prospectivity of Block 5B a 2D seismic acquisition programme is ongoing with approximately 1,000 km acquired during 2007 and a further 1,160 km planned for 2008.

During 2007, the Sudan National Petroleum Commission (NPC) confirmed the WNPOC led partnership as the lawful holder of Block 5B. The partnership has accepted the recommendation of NPC to assign a 10 percent share to the National Oil Company of Southern Sudan to be allocated on a "pro rata" basis from each of the partners' shares.

Current Situation in Sudan

Since the signing of the Comprehensive Peace Agreement (CPA), most of the country is at peace and starting to reap the benefits of oil revenues. Signs of economic development are apparent in different parts of the country, in particular in the oil areas of Southern Sudan.

Lundin Petroleum, though it is not operator, maintains a pro-active role in Sudan, and regularly monitors the situation in Block 5B. It is in ongoing contact with various stakeholders, including the representatives of relevant authorities in Sudan, local and international NGOs but most importantly with the operator, WNPOC, to ensure that activities are conducted abiding to principles of corporate citizenship. In addition to the community development activities in Block 5B, to which it contributes to through the consortium, Lundin Petroleum has funded a number of community projects as part of its Corporate Donations Programme. The projects are carried out by local non-governmental organisations under the supervision of two Sudanese community development experts, hired by Lundin Petroleum for this purpose.

KENYA

Lundin Petroleum signed a Production Sharing Contract (PSC) for Block 10A (WI 100%) in 2007 covering 14,748 km^2 over the north-western most portion of the Anza Basin. Block 10A is under-explored, but historical well and seismic data indicate that a working petroleum system is present.

An airborne gravity survey will initially be conducted over the block in 2008 and all the existing seismic data reprocessed followed by new 2D seismic acquisition. This will provide a better definition of the sub-basins and areas of local inversion.

ETHIOPIA

Lundin Petroleum has signed Production Sharing Contracts (PSCs) for the exploration and production of oil and gas in four Ogaden Basin blocks (WI 100%) in the Somali Region and one in the Adigala Area (WI 100%), onshore Ethiopia.

There has been a limited amount of exploration activity in the basin. However, the historical exploration of the Western Ogaden Basin has demonstrated a working petroleum system with proven source and reservoirs. Petronas is currently in the early stages of the development of its Calub and Hilala gas fields.

The acquisition of airborne gravity and magnetics data have been completed and a 2D seismic acquisition programme is planned to start later in 2008.

OPERATIONS – AFRICA AND RUSSIA

TUNISIA

- Reserves: 1.9 MMboe
- Contingent resources: 8.2 MMboe
- Unrisked prospective resources: 18 MMboe
- 2007 average net production: 6,360 boepd

The Oudna field (WI 40%) came on stream in November 2006, and averaged in excess of 19,000 bopd, gross, throughout 2007. Dry oil production continued through to June 2007, when water-breakthrough occurred as forecasted. The production of the field is closely monitored to optimise overall performance and track the actual production performance versus latest forecast. The development consists of a single production well supported by a single water injection well, both tied back to the Ikdam FPSO (Floating Production, Storage and Offloading vessel). Reservoir pressure is maintained by water injection and artificial lift is provided by a crude oil powered jet-pump.

Ikdam FPSO

The Ikdam is an 'Aframax' tanker with a storage capacity of almost 600,000 bbls. The vessel complies with requirements for operating as a tanker, oil terminal and production facility. The vessel is owned by Ikdam Production S.A. and the shareholders are Lundin Petroleum (40%), Teekay-Petrojarl Production AS (Teekay) (40%) and Gezino AS (20%).

CONGO (BRAZZAVILLE)

- Contingent resources: 3.2 MMboe

Lundin Petroleum has an 18.75 percent interest in Marine Block XI, offshore Congo (Brazzaville).

There has been previous exploration activity on the block resulting in four small oil discoveries and further undrilled structures. All discoveries and leads are situated near existing facilities and in water depths ranging from 10 to 120 metres.

Interpretation of the 2006 1,200 km^2 3D seismic survey is being finalised and will result in an improved understanding of the existing discoveries and definition of exploration targets for drilling. The exploration campaign is expected to start in late 2008 with a one well drilling programme,

RUSSIA

- Reserves: 24.7 MMboe
- Unrisked prospective resources: 732 MMboe
- 2007 average net production: 4,970 boepd

Lundin Petroleum holds interests in a portfolio of production, development and exploration assets in Russia.

Production is generated from four oilfields, onshore. The Sotchemyu-Talyu Field and the North Irael Field in the Komi Republic, the Kaspiskoye Field in the Kalmykia Republic and the Ashirovskoye field in Orenburg. Drilling activities to enhance the production are ongoing.

The Lagansky Block (WI 70%) is 2,000 square kilometres in size and is located offshore in the Central Caspian Basin, which contains some of the largest oil and gas accumulations in the world. Two exploration wells are planned to be drilled in the block during 2008, on the Morskaya and Laganskaya prospects. A third prospect has been identified in the block, the Petrovskaya prospect, which is likely to be drilled in 2009. Net unrisked prospective resources on the Lagansky Block are over 700 MMboe. The barge mounted facilities necessary for shallow water drilling are being mobilised to location and all necessary permits and approvals have been obtained.

An option agreement in relation to the Lagansky block was signed in July 2007 with JSC Gazprom ("Gazprom") whereby Gazprom will have an option to earn a 50 percent plus one share interest in the Lagansky block. In addition, Lundin Petroleum has signed an option agreement with its minority partner to purchase its 30 percent interest. The net effect if both options are exercised is that Gazprom will own a 50 percent plus one share and Lundin Petroleum will own a 50 percent less one share interest in the Lagansky block.

OPERATIONS – SOUTH EAST ASIA

INDONESIA

- Reserves: 16.1 MMboe
- Contingent resources: 1.5 MMboe
- Unrisked prospective resources: 92 MMboe
- 2007 average net production: 2,600 boepd

Production in Indonesia is generated from non-operated assets in the Salawati Island and Salawati Basin PSC's located on Papua. An active exploration programme is ongoing within these licences in order to maintain production levels.

The development of the Singa gas discovery on the Lematang Block in South Sumatra is ongoing with first gas expected in 2009. A gas sales agreement has been signed that will supply gas to customers in West Java. Lundin Petroleum has a working interest in the Lematang Block of 25.88 percent.

CAMBODIA

Lundin Petroleum acquired a 34 percent interest in Block E, offshore Cambodia in 2007. The block is located at the eastern margin of the Pattani Basin and covers an area of 5,559 km^2. The area is under explored with little seismic acquisition and no exploratory drilling.

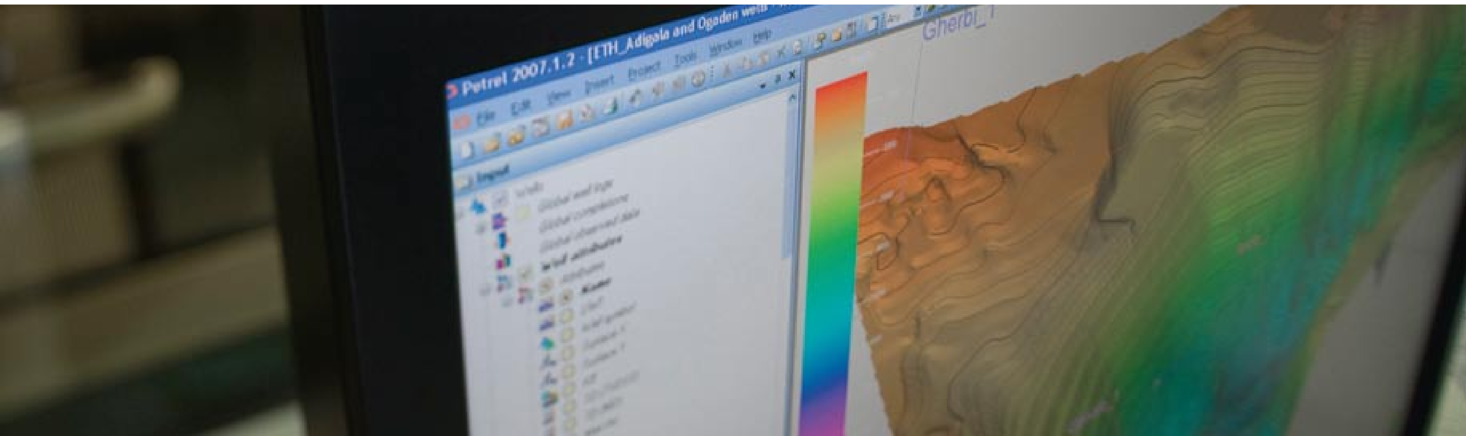
During 2007 a 1,200 km 2D seismic survey across Block E has been completed and several leads have been identified.

VIETNAM

- Unrisked prospective resources: 379 MMboe

Lundin Petroleum has a 33.34 percent working interest in Block 06/94 in the Nam Con Son Basin, offshore southern Vietnam. There are a number of significant oil and gas discoveries in the basin. The block covers an area of 4,195 km^2.

Several large structures have been mapped across the block with an existing high quality grid of 2D seismic. The 3D seismic acquisition programme was completed in 2007 and interpretation of seismic data is ongoing. Exploration drilling will commence during 2008.



CORPORATE RESPONSIBILITY

CHRISTINE BATRUCH ▸ VICE PRESIDENT CORPORATE RESPONSIBILITY

Corporate Responsibility means carrying out activities in accordance with principles of good governance, with due regard to people and the environment.

An evolving commitment

Lundin Petroleum has substantially evolved in the course of 2007, strengthening its position by obtaining new licences in traditional areas of operations, such as France, Norway and the United Kingdom, while acquiring licences in new areas in Africa and Southeast Asia. Lundin Petroleum's corporate responsibility (CR) commitment and framework have likewise evolved, entrenching existing principles and actions while developing new ones.

Lundin Petroleum's objective to explore for and produce oil and gas in the most economically efficient, socially responsible and environmentally acceptable way, as set out the Code of Conduct (the Code), remains as relevant today as it was in 2001 when the Code was adopted by the Board. What has changed, however, is the increased number of countries of interests and situations faced.

In order to find appropriate responses to these new challenges, Lundin Petroleum has relied on international initiatives, guidelines and best practice for guidance. While the Company has not yet formally endorsed the initiatives, it is committed to follow them in practice.

INTERNATIONAL INITIATIVES OF RELEVANCE TO LUNDIN PETROLEUM

- The United Nations Global Compact, on human rights, labour, environment and corruption.
- The United Nations Framework Convention on Climate Change (UNFCC) and the Kyoto Protocol on environment.
- The Extractive Industry Transparency Initiative on corruption.
- The Voluntary Principles for Security and Human Rights on security.
- The United Nations Millennium Development Goals on community projects.

Specific actions adopted by Lundin Petroleum to promote its values regarding people and the environment throughout the Group, include:

- the dissemination of its Human Rights Primer company wide and through its website
- the elaboration of a Statement on Climate Change, recognising this as an important issue in which the Company can play a positive role by aiming for environmental excellence throughout its operations and increasing its energy efficiency
- security awareness training for staff facing challenging environments.

In all these efforts, Lundin Petroleum has relied on the formal and informal assistance of third party specialists, including government officials, NGOs, institutional shareholders and consultants. Company staff have also attended, as speakers or participants, in a number of international conferences and workshops on sustainability, climate change, corporate responsibility, oil and conflict, etc., in order to increase Lundin Petroleum's network of stakeholders and benchmark its performance against that of its peers and international standards.

CR approach in ongoing operated areas

The core elements of Lundin Petroleum's CR framework, applicable to all its assets, are:

- Code of Conduct
- HSE and Community Relations' Policies
- HSE management system, i.e. the Green Book
- HSE goals of zero fatality, zero accidents and zero spills or leaks.

The purpose of the CR framework is to emphasise the importance of integrating health, safety, environment, and community considerations in operational practice. For assets which were part of Lundin Petroleum's Group of companies prior to 2007, this framework is part of their "business as

[1] Lundin Petroleum documents referred to in this section can be found at www.lundin-petroleum.com, in the RESPONSIBILITY section.

[2] Hosting institutions include: the Business Humanitarian Forum, the Center for Energy and Petroleum Law and Policy at the University of Dundee, Ethical Corporation, Geneva Petroleum Club, IMD, the University of Peace, etc.

usual" approach. The means by which the Company ensures that assets conform to their obligations includes:

Reporting: all operated assets must report on a monthly basis on HSE performance as well as on an ad hoc basis on major incidents impacting people, environment or property. Assets provide statistical data on Key Performance Indicators (fatality, lost time incidents, oil spills / gas / chemical leaks) as well as report on other relevant HSE information such as near misses, investigations and root cause analysis of incidents or near-misses, studies, drills, staff training, etc. that have taken place in the previous month, enabling the Company to track HSE performance on an ongoing and accrued basis.

Documentation: in furtherance of Lundin Petroleum's Green Book, country operations have to have in place relevant HSE documentation adapted to the nature of the operations; the minimum framework includes an HSE Plan, an Emergency Response or Crisis Management Plan, as well as relevant procedures, such as the permit to work system. Relevance of the documentation is tested through drills, involving sections or the entire operations, including corporate offices.

Monitoring: corporate staff monitor asset performance through review of monthly documentation, participation in operational and/or HSE quarterly, bi-yearly or yearly meetings and through regular drills. In addition, corporate staff takes part in special events, such a HSE awareness days or community relations activities.

Verification: operated facilities are subject to corporate and/or third party audits, whether for the entire or specific parts of the operations (see below).

HSE practice and community relations in operated areas

France: a study entitled "HSE prevention plan" is carried out for each new activity; 68 such studies were prepared in 2007. In addition to the special permits issued during the drilling campaigns, 1,024 permits to work were issued. 103 staff received external training and 24 internal training in such issues as risks related to the profession, preventive measures and first aid, representing more than 2 training per staff. 36 sites were internally audited according to a standard checklist. Root cause analysis of the lost time incidents that took place in France demonstrated that 47 percent were minor incidents. Special training will be carried out to highlight those risks in 2008.

Indonesia: Prior to the commencement of drilling, courtesy visits are made to local government officials and agencies, paving the way for finding ways of cooperating with the local communities. In 2007, projects carried out as part of the Tengis-1 drilling operations included:

- commissioning an environmental study, a pre-spud and post-drill environmental monitoring report by the University of Soedirman
- holding a traditional pre-spud ceremony at the request of the community
- rebuilding a bridge in Maitan Village
- supplying piping for the completion of a water distribution system
- upgrading the access road to Wukirsari village

Norway: Lundin Norway (LNAS) acted as drilling operator for the first time; it needed to demonstrate its HSE commitment and to prove its competence to carry out the drilling operations on well 16/1-8 in PL338 safely and effectively. Three external audits were carried out:

- end of 2006 by the licence partner RWE-DEA, to ascertain LNAS' management system
- in February 2007 by the Petroleum Safety Authority (PSA) to ascertain its level of drilling preparedness
- in March 2007 by the PSA, to review the company's site specific evaluation and mooring analysis for the drilling rig

As a result of these audits, LNAS' internal capacity to handle the task was enhanced with the employment of dedicated drilling and HSE staff and an update of the internal audit plan. Standard HSE documentation was prepared prior to spud, including an environmental impact assessment, various risks assessments, the HSE and emergency response plans, etc. During drilling operations, LNAS monitored HSE performance through:

- the presence of a LNAS Safety Coach on the rig at all times
- twice daily telephone conferences with the OIM and key personnel with HSE as first item on the agenda
- weekly HSE meetings
- visits offshore by LNAS drilling superintendent, drilling & HSE managers

Compared to the previous drilling operation with the same rig, LNAS achieved significantly improved HSE results during the drilling of their well.

Furthermore, in December 2007 LNAS successfully spud their second well as an operator, well 7/4-2 in PL148. This well was completed in March 2008.

Russia: Lundin Petroleum's Russian subsidiary, Petroresurs LLC, carried out required steps to obtain its permits to drill. This involved undergoing verification and certification by both Russian authorities and third party certifiers such as DNV. In addition to fulfilling Russian statutory HSE requirements, Petroresurs prepared an HSE Plan specifically related to the drilling operations, as per Green Book requirements, with the assistance of DuPont de Nemours Russia, internationally recognised for its safety record, and Oil Spill Response Ltd from the United Kingdom, reputed for its environmental competence; Russian authorities were impressed by Petroresurs commitment to go beyond minimum statutory requirements.

As the drilling operations are to take place in the sensitive Volga Delta area, company representatives from Russia and corporate met with a number of environmental organisations, including the Director General of the Ramsar

Convention, in order to find out more about the particular environment and how to preserve it, as well as to inform them of the company's plans. It was decided to retain the University of Astrakhan to carry out environmental monitoring prior, during and after the drilling campaign. Lastly, the Company plans to support a sturgeon breeding facility in the area.

Tunisia: Lundin Tunisia (LTBV) commissioned a third party audit after it started to produce oil from Oudna in November 2006. The purpose of the audit was to assess the degree of adherence of the Oudna field operations to the company's HSE procedures and good industry practice, to identify areas of concern and to propose remedial actions. The audit, which was carried out by MBC Resources International in the presence of Lundin Petroleum's VP Corporate Responsibility and a Lundin Petroleum institutional shareholder, consisted of:

- a review of the LTBV HSE manuals and emergency procedures
- a review of the permit to work system and the change control procedure
- a visit offshore to assess adherence to LTBV procedures & standards by the personnel on board
- findings & recommendations presented to concerned staff as well as the OIM, the HSE advisor, the Operations Manager and the General Manager

The overall conclusions of the third party auditor was that "the Ikdam operations and HSE management is good. Both the marine and the production sides are professionally managed. The team onboard should be commended for a substantial workload successfully completed!"

United Kingdom: In 2007 a fire occurred on the Thistle platform. While preliminary indications suggest equipment failure as the cause of the incident, the final conclusions of the investigation have yet to be confirmed. This unfortunate incident, however, has demonstrated the solid emergency capability of both the contractor Petrofac Facilities Management and Lundin Britain (LBL) as the incident was handled without damage to people or the environment.

LBL's CO_2 emissions were 75,298 tons below its allowance, i.e. less than 70.5 percent of the authorised amount.

LBL was also below by nearly 53 percent in its allowed produced water under the OSPAR 2001/1 Management of Produced Water for Offshore Installations and Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005, having discharged 54,552 tons versus the allotted 114,524 tons.

The Department of Business, Enterprise and Regulatory Reform (BERR), which is responsible for enforcing the UK Environment Legislation on the UKCS indicated to LBL that it has no intention to carry out an inspection of its facilities in 2008 due to its good environmental performance.

CR approach in new venture areas

Lundin Petroleum has an established four steps approach when venturing into a new area:

- Country Assessment
- Stakeholder Engagement
- HSE Management
- Community Relations

Prior to the acquisition of a licence in a new area, the Company produces a CSR Country Profile, which highlights key economic, environmental, political, security and social issues. The purpose of this study is to assess the context in which the company may be brought to work in and identify means of addressing these issues.

The Country Profile is complemented by information which Lundin Petroleum staff gathers from discussing with stakeholders. After making the initial contact with representatives of the targeted country, the next step is often to contact local Swedish government representatives, as they have insight into the realities on the ground. Others with whom the company engages are local and international non-governmental organisations which, through their work with communities, often provide another point of view on the situation in the country.

This stakeholder engagement process is maintained once Lundin Petroleum has acquired a licence and throughout the time the company is active in the country.

Once a Lundin Petroleum company is set up locally, the Corporate Responsibility framework is put in place. New staff are handed CR framework documents, including the Code of Conduct, HSE and Community Relations Policies, HSE Management System (the Green Book), Emergency Response System, as well as their HSE reporting requirements. Over time local practice is the subject of corporate or third party audits.

In countries where the local population lacks in basic socio-economic amenities, Lundin Petroleum carries out community development projects either alone and/or with the assistance of local or international non-governmental organisations.

Community engagement in new venture areas

Ethiopia: Prior to obtaining the three licences, Lundin Petroleum carried out a review of the country from a cultural, economic, political and social perspective. It undertook a number of field visits and consulted with local as well as international experts in order to understand the country and its challenges. Community and security clauses in the PSA were drafted with particular attention in order to conform to Lundin Petroleum's Corporate Responsibility commitment and its support for the Voluntary Principles on Security and Human Rights. Comprehensive field surveys were conducted to assess the licence areas from a social, environmental, security and infrastructural perspective.

This was followed by a Stakeholder Assessment Meeting, prepared with the assistance of four local NGOs, gathering sixty seven clan leaders from the Somali region, where the licences lie. The meeting was held to introduce the Company to the communities, its Corporate Responsibility approach and its plans, as well as hear from them their expectations and concerns. As a concrete first project, the Company hired locals to prepare the site for the aeromagnetic base camp; it also drilled a community water well in the area adjacent to the base camp and offered the services of a medical doctor to surrounding villages during the aeromagnetic campaign. A total of 708 patients were treated over a period of 5 weeks.

Environmental studies will be conducted for all the blocks prior to the seismic campaign.

Kenya: Prior to the acquisition of Block 10A, Lundin Petroleum produced a CSR Country Profile, consulted with Swedish embassy personnel and obtained their assistance in identifying future staff and offices. Given the particular sensitivities in the country, a report on the ethnic groups in Kenya, and in particular in Block 10A was prepared. As in the case of Ethiopia, a comprehensive social, environmental, security and infrastructural field assessment was conducted prior to holding a Stakeholder Assessment Meeting.

CR approach in non-operated assets

Lundin Petroleum considers itself as an active non-operator. If the primary responsibility rests with the operator to carry out activities with due regard to people and the environment, as per Lundin Petroleum's Code of Conduct requirement, the Company seeks to ensure that this is the case, by requiring operators to report on their HSE practice and community engagement.

HSE and community relations in non-operated assets

Cambodia: Lundin Petroleum's Country Profile revealed that while the country is still dealing with some of the after effects of war with the negative side effects on governance and on the socio-economic welfare of people, the economy is improving. Preparations are underway to carry out an environmental impact assessment prior to the 2008 3D campaign, assessment which should provide information on the necessity of community engagement.

Congo (Brazzaville): The operator, Soco International is carrying out activities on behalf of the partnership with due regard to the welfare of the local population and the environment. Prior to its seismic operations, it held discussions with local fishermen and secured their support for a schedule and pattern of acquisition which would avoid interference in each others' activities. Community development projects to date have included the building of a water well near Pointe Noire, the supply of 3,000 impregnated mosquito nets and medical drugs to local clinics and a home for the elderly, as well as the building of a clinic. From an environmental perspective, a study was conducted prior to the seismic campaign, while a full environmental impact assessment will be carried out prior to the drilling operations.

Sudan: Lundin Petroleum maintains an open dialogue with various Sudan stakeholders, including host and home government, NGOs and community representatives. Senior management have visited Sudan on a regular basis throughout 2007, to ascertain both operational and CR practice, and meet with local, regional and government representatives. From a community perspective, WNPOC has continued to implement in various areas of Block 5B the Community Development and Humanitarian Assistance Programme (CDHAP) which Lundin Oil had originally started in Block 5A. Its main impediment in fulfilling its CDHAP was lack of adequate access roads to bring in required equipment. Numerous projects were carried out in the areas of freshwater supply (repair of water pumps), human and animal health (an average of 1,500 patients per week were treated in WNPOC bush clinics, representing circa 78,000 patients per year), education, capacity building (training of cadres, para-medics, para-vets, etc.), women development (income generation training), sports and humanitarian assistance (flood affected population and/or returnees to the South).

Vietnam: There were no incidents during the seismic operations which took place in 2007. As the operations are offshore, there are no communities directly concerned by the operations, which is why Lundin Petroleum chose to support, through its Corporate Donations programme the Go Vap SOS Children's Village near Ho Chi Minh City.

Lundin Petroleum's HSE performance

Lundin Petroleum's HSE goal is to have zero fatalities, zero injuries and zero spills/leaks throughout its operations. While operations track a number of health and safety as well as environmental indicators, including work related diseases, produced water, chemical use, emissions, etc., the three Key Performance Indicators (KPIs) which are applicable throughout the group irrespective of the stage of the operations are fatalities, lost time incidents and spills/leaks.

2007 HSE Performance

Fatalities	LTI	LTIFR	Oil Spills
0	11	1.02	4

- Zero fatalities throughout the group.
- Eleven Lost Time Incidents (LTIs) among company staff and ten among contractors, representing a Lost Time Frequency Rate of (LTIFR per 200,000 manhours) of 1.02. All the accidents were of minor nature, involving a temporary inability to carry out the task for which the employee was hired. Each incident was subjected to an investigation and root cause analysis, which was followed by remedial measures ranging from holding toolbox meetings with the staff, to developing new procedures, to the purchase of equipment to avoid incidents in the future.
- Four oil spills. Two of the spills had no impact on the environment as they were contained on the platform and cleaned-up by removing the top soil and sending it to an authorised land fill (in France) while the remaining two (in the United Kingdom) were of limited quantities (1.7 and 2.8 barrels respectively) resulting in a minor temporary impact on the environment.

Lundin Petroleum's corporate donations programme

Lundin Petroleum has sought, through its Corporate Donations Programme to maintain its support to organisations and projects which proved worthy of support in 2006, while also expanding the number and nature of projects in 2007.

In selecting projects for funding, Lundin Petroleum was guided by its desire to make a contribution towards promoting the United Nations Millennium Development Goals[3] while fulfilling its expressed intent to make a material difference to the project's viability and be relevant to the company, either from the point of view of the type of project it is and/or its location.

In the course of 2007, the vast majority of projects were visited by corporate and/or country management who noted the dedication and competence of those involved in the projects.

Projects initiated in 2006

SOS Barnbyar, Sweden: Lundin Petroleum continued to act as a main sponsor of SOS Barnbyar, the Swedish arm of SOS Children International, a non-governmental organisation which cares for destitute children around the world, providing them with room and board, health and educational assistance and recreational activities. In 2007, Lundin Petroleum contributed to the running costs of three SOS Children's Villages, in Indonesia, Tunisia and Vietnam, making additional direct contributions to villages in Indonesia and Tunisia.

The Centre for Energy Petroleum and Mineral Law and Policy (CEPMLP), University of Dundee, Scotland: Lundin Petroleum funded a scholarship for a Masters' Programme in Petroleum Law and Policy together with the Centre. The recipient of the 2007-2008 scholarship is Mr Abebe Chekol, an Ethiopian national lecturer in law at the University of Addis Ababa.

Bridge of Hope (BoH), Sudan: Bridge of Hope cares for street children in Khartoum. In addition to providing room and board and schooling to 35 street boys, it offers classes to another 35 children, as well as meals for up to 120 children daily. Lundin Petroleum's contributions in 2007 covered approximately half of BoH's monthly expenditures, as well as some ad hoc initiatives, such as the creation of a learning centre and a bakery.

Vet Care, Sudan: Vet Care is a Sudanese non-governmental organisation set up by local veterinarians, which specialises in animal health, food security and capacity building. Vet Care assisted in the construction of four Women Development Centres in 2007.

Southern Sudan Older People's Organisation (SSOPO), South Sudan: SSOPO was responsible for training women in income generating activities in the Women Development Centres constructed by Vet Care.

Projects initiated in 2007

The Centre for Applied Studies in International Negotiations (CASIN), Switzerland: Lundin Petroleum provided two partial scholarships to civil servants from Afghanistan and Sierra Leone to follow a course on "Fostering Entrepreneurship and Leadership".

Redd Barna, Norway: Lundin Petroleum acted as sponsor to Save the Children Norway, (Redd Barna), an organisation which tends to the needs of children worldwide and has a special programme to address the humanitarian crisis in Darfur.

The University of Juba, South Sudan: A Lundin Petroleum Chair was created in 2007 at the University of Juba on "Public Sector Capacity Building in Southern Sudan". To date, three courses have been carried out, two on population census (as population census is the first step towards fulfilling the

[3] The United Nations Millennium Development Goals, agreed to by all member countries and leading development institutions worldwide, are: to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability and develop a global partnership for development by 2015.

requirement of the Comprehensive Peace Agreement to hold a referendum in 2011 in Southern Sudan) and one on capacity building.

The University of Astrakhan: Lundin Petroleum made a grant to the University of Astrakhan to purchase environmental monitoring equipment.

Matching Programme: One of the aims of the Corporate Donations programme is to encourage corporate citizenship, among Lundin Petroleum worldwide operation; it thus started a matching programme, contributing half of the donations made by a Lundin subsidiary.

In 2007, the staff of Lundin Petroleum's French operations donated their accumulated overtime pay to fund the purchase of dogs for the blind by Handi Chiens and for the organisation of the clean-up of a swamp to the Conservatoire du Patrimoine Naturel de Champagne Ardenne.

Lundin Petroleum's Tunisian subsidiary contributed to the running costs of a house in the SOS Gammarth Village.

Miscellaneous: In addition to the projects listed above, Lundin Petroleum has granted small sums to a number of cultural, HSE, humanitarian or sports initiatives which promote good corporate citizenship on a local or international level.

EMPLOYEE ATTRACTION AND RETENTION

Lundin Petroleum recognises that the key to business success is its ability to attract, develop and retain the talent necessary for global activities, and to achieve organisational objectives through the effective deployment of its human resources. It also acknowledges that as the oil industry moves into a new phase and the skills crisis becomes more acute, there is a requirement for more resourceful HR strategies, policies and practices to create the competitive edge required to secure the right talent for business continuity.

Consequently, the Company's strategy is to provide a framework to facilitate current and future initiatives through the attraction and retention of highly skilled personnel and to create and maintain a positive and supportive culture where staff feel valued and are treated with fairness and respect.

Employee attraction

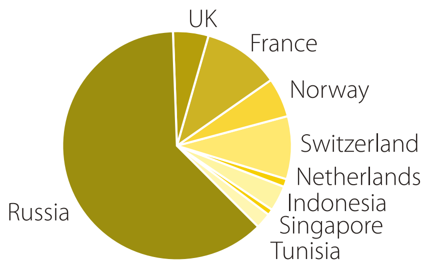
Lundin Petroleum has developed a robust recruitment and selection process to align the expectations of both parties and to achieve the best possible person-to-job fit. The recruitment and selection methodology is further bolstered by the objective of ensuring equality of opportunity in employment where the skills and experience of candidates are considered regardless of sex, sexual orientation, marital status, race, religion, age, creed, colour or nationality. Throughout the recruitment and selection process there is a focus on the need to reach the best possible talent through the promotion of Lundin Petroleum as an 'employer of choice'.

Employee retention

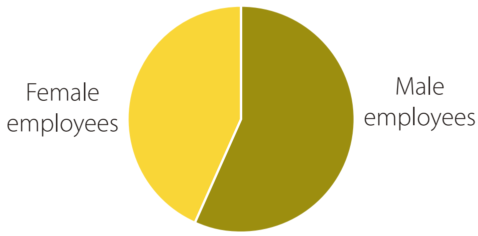
Lundin Petroleum's ability to retain key personnel is achieved by a variety of different means that include the creation of a sense of community and support for staff, duly achieved through the recognition of staff professional and personal needs and the promotion of teamwork through common goals. This is accompanied by the maintenance of superior working conditions, and the creation of learning and development opportunities to maximise job satisfaction. The Company's focus on the development of superior recognition and reward systems further ensures that staff retention is high on the business agenda.

The maintenance and development of an HRM strategy accompanied by policies, procedures and practices covering recruitment & selection, training & development, employee relations and reward management means that Lundin Petroleum is equipped for the employee attraction and retention challenge.

Employees per Country



Employees by Gender



CORPORATE GOVERNANCE REPORT

Since its creation, Lundin Petroleum AB ("Lundin Petroleum" or the "Company") has been guided by general principles of Corporate Governance designed to:

- Protect shareholder rights
- Provide a safe and rewarding working environment to all employees
- Carry out business (i.e. oil and gas exploration and production) in a professional and efficient manner keeping in mind the protection of the environment
- Contribute to the development and improvement of living standards of communities in all areas of operations

In addition, Lundin Petroleum abides to principles of corporate governance elaborated internally and externally. They are to be found in the following documents:

The Swedish Code of Corporate Governance ("Code of Governance")

The Code of Governance is based on the Swedish Companies Act and the tradition of self-regulation. This document was issued in late 2004 by the Code Group on behalf of the Swedish Government (ref: SOU 2004:130) and integrated in the listing agreement with the OMX Nordic Exchange Stockholm AB, 1 July 2005.

There are two instances in which the Company does not abide strictly to the terms of the Code of Governance although it does in substance. Firstly, since the Chief Executive Officer (CEO) does not speak fluent Swedish, his presentation during the Annual General Meeting (AGM) is delivered in English, not Swedish as the Code of Governance requires. However, Swedish subtitles are provided concurrently on the overhead slides. The second departure is that a board member serves as the chairman of the Nomination Committee; this was a unanimous decision of the Committee which felt he was the best candidate to carry out the task.

The Exchange Rules

The Exchange Rules form an integral part of the Listing Agreement between the Company and OMX Nordic Exchange Stockholm AB. Details regarding the Exchange Rules can be found on the following website www.omxgroup.com.

The Listing Agreement is an agreement between OMX Nordic Exchange Stockholm AB and the Company regarding the requirements of being listed at the Nordic Exchange.

Lundin Petroleum's Code of Conduct ("Code").

The Code is a set of principles formulated by the Board to give overall guidance to employees, contractors and partners on how the Company is to conduct business. The Code was adopted at the formation of Lundin Petroleum in 2001. Compliance with the Code is reviewed on an annual basis by the Board. The Code can be found on the Company's website www.lundin-petroleum.com.

The Code was developed by Lundin Petroleum at a time when there were no external requirements regarding corporate governance. The Company decided to make its values, principles and commitment explicit in order to set the necessary framework for ethical conduct, against which the Company could be assessed and evaluated.

Lundin Petroleum's policies & Management System

The Company has policies covering Communication, Finance, HSE (Health, Safety and Environment) Information Technology, Internal Control and Personnel. It also has a dedicated Health, Safety and Environmental Management System ("Green Book"), which gives guidance to Management about the Company's intentions and expectations in HSE matters.

While the Code provides the Company's ethical framework, dedicated policies have been developed internally to provide specific guidelines applicable in the different business areas. In the HSE field, this is complimented by the Green Book modelled after the ISO 14001 standard.

The Board ensures the quality of the financial reports through a system of internal controls as outlined in the Boards report on internal control for 2007 on page 34–36 and maintains appropriate communication with the Company's auditors through its audit committee, see page 29.

The Lundin Petroleum Articles of Association, Code of Conduct and the HSE policies as well as a description of the Green Book are available at www. lundin-petroleum.com.

This Corporate Governance Report has not been subject to an audit by the Company's auditors.

THE ANNUAL GENERAL MEETING

The AGM elects the Board members for a period of one year. Board members are nominated in accordance with the nomination process which was adopted and put in place for the first time by the AGM in 2005. The composition of the Board of Directors is decided through a vote of the shareholders during the AGM after recommendation from the Nomination Committee.

NOMINATION PROCESS

Election to the Board

In accordance with the principles resolved by the 2007 AGM, the Nomination Committee consists of a total of five members, representing four of the largest shareholders'; Anders Oscarsson, of SEB Fonder, Åsa Nisell, of Swedbank Robur Fonder, Lars Öhrstedt, of AFA Insurance, Ian H. Lundin (of Landor Participation Inc. and Lorito Holdings Ltd, also Chairman of Lundin Petroleum) and Magnus Unger (non-executive Board member) who acts as Chairman of the committee. Magnus Unger was unanimously chosen as the Chairman as it was felt that he had the most thorough knowledge both of the Company and Swedish requirements and thus could best represent the shareholders interests. The names of the members of the Nomination committee were announced and posted on the website as soon as the representatives had been appointed.

In furtherance of the Nomination Committee's responsibility to propose members to the Board to the 2008 AGM, the Chairman undertook in 2007 on its behalf an evaluation of the work of the Board and its members through a questionnaire and presented the results and conclusions to the Nomination Committee. In addition to the functions described above the Nomination Committee makes recommendations to the AGM regarding fees for the Chairman and Board Members and for Board committee work, audit fees, and election of the Chairman to the AGM. No remuneration was paid to either the Chairman or any of the Committee members for their work on the Nomination Committee. There were 3 Nomination committee meetings during the year.

Election of auditors

Klas Brand (elected 2001) and Bo Hjalmarsson (elected 2006) of PricewaterhouseCoopers AB are auditors for the period up until the end of the AGM 2009. Bo Karlsson of PricwaterhouseCoopers AB (elected 2006) is deputy auditor for the period up until the end of the AGM 2009.

THE BOARD OF DIRECTORS

The composition and the functions of the Lundin Petroleum Board are described below. The Board adheres to a set of rules and procedures, the Rules of Procedure, which conform to the terms of the Swedish Code of Corporate Governance and are updated on a regular basis to take into account changes in legislation as well as the structure and orientation of the Company.

REMUNERATION OF BOARD MEMBERS

Remuneration of the Chairman of the Board and Board members is in accordance with the resolution adopted by the Annual General Meeting. The remuneration of the Board of Directors is stated in the Annual Reports' note to financial statements – see Note 38, Remuneration to Board of Directors and Management.

Rules of Procedures for the Board

The Rules of Procedure are adopted annually and reviewed when necessary. The last comprehensive revision took place in 2005 in order for the rules to be in full conformity with the Code of Governance.

The Rules of Procedure set out the details of how the Board is to conduct its work, including the number of Board meetings, the division of duties within the Board of Directors, the Board composition and functioning, Board committee's tasks.

The functions of the Board

The Board of Directors' primary duties are the organisation of the Company and the management of the Company's operations including:

- Decisions regarding focus of the business and adoption of Company policies
- Supply of capital
- Appointment and regular evaluation of the work of the CEO and Company Management
- Approval of the reporting instructions for the Company Management
- Ensuring that the Company's external communications are open, objective and appropriate for target audiences
- Ensuring that there is an effective system for follow-up and control of the Company's operations and financial position vis-à-vis the established goals
- Follow-up and monitoring that operations are carried out within established limits in compliance with laws, regulations, stock exchange rules, and customary practice on the securities market
- Ensuring that the necessary guidelines governing the Company's ethical conduct are established

The Board of Directors ensures that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general include satisfactory systems of internal control.

The Board of Directors further ensures that there is systematic and structured evaluation of its work on an annual basis.

Board meetings

The Board of Directors normally holds at least five 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
- Report of the CEO regarding:
  - Status of the business
  - Prospects
  - Economic and Commercial report
  - Financial report
- Reports from the Committees of the Board of Directors
- Items related to decisions (i.e. concerning investments, acquisition and sale of companies, formation of subsidiaries and increases in capital of subsidiaries, loans and guarantees, and also structural and organisational matters)
- Miscellaneous issues of material importance for the Company

Name	Function	Elected	Audit Committee	Compensation Committee	Independent of Company
Ian H. Lundin	Chairman	2001	Yes		No
C. Ashley Heppenstall	President & CEO	2001			No
Viveca Ax :son Johnson[1]	Director	2005		Yes	Yes
Lukas H. Lundin	Director	2001		Yes	Yes
Kai Hietarinta[1]	Director	2001			Yes
William Rand	Director	2001	Yes	Yes	Yes
Magnus Unger	Director	2001	Yes	Yes	Yes

[1] Kai Hietarinta and Viveca Ax:son Johnson were members of the board until 16 May, 2007.

During 2007, 11 board meetings took place, including the statutory meeting. One executive session whereby the Board was given the opportunity to interact directly with the management was also held.

Committees
The Board has a Compensation Committee and an Audit Committee, each with its clear mandate as described below.

Compensation Committee
The function of the Compensation Committee is to receive information on and determine matters regarding compensation to the Group Management. 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 promote performance.

Lundin Petroleum considers that a variable salary is an important part of the remuneration package where associated performance targets reflect the key drivers for value creation and growth in shareholder value. At the end of each year the President and Chief Executive Officer will make a recommendation to the Compensation Committee regarding the payment of bonus awards to employees based upon their individual contribution to Lundin Petroleum's performance. This incorporates the achievement of the Company's strategic objective of growth and enhancement of shareholder value through increases in the stock price resulting from increased reserves, production, cash flow and profit. In order to facilitate the payment of appropriate bonus awards, Lundin Petroleum operates a Performance Assessment Process whereby critical work-specific, technical and behavioural objectives are established and measured over a 12 month period.

A Long-term Incentive Plan (LTI), consisting of a Share Option Plan and a Performance Share Plan, was presented and approved at the AGM in 2007. Amongst other features the LTI incorporates a performance condition attached to the vesting of the option or share allocations. A new plan (Long-term Variable Bonus Retention Plan) will be submitted to the 2008 AGM for approval. The new plan shall be related to the Company's share price and will be payable over a period of three years from award in order to recruit and retain employees.

The remuneration to the Group Management is also described on page 32 – Management and stated in Note 38, Remuneration to Board of Directors and Management.

Members: William A. Rand (Chairman), Lukas H. Lundin, Viveca Ax:son Johnson[1] and Magnus Unger

[1] Viveca Ax.son Johnson was a member of the board until the 16 May 2007.

Audit Committee
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. The work of the audit committee is also described within the Internal Control report on page 34–36.

Members: William A. Rand (Chairman), Ian H. Lundin and Magnus Unger

Meeting attendance

Name	Board	Audit Committee	Compensation Committee
Ian H. Lundin	11/11	4/7	
C. Ashley Heppenstall	10/11		
Viveca Ax:son Johnson[1]	3/11		1/2
Lukas H. Lundin	10/11		2/2
Kai Hietarinta [1]	5/11		
William Rand	11/11	5/7	2/2
Magnus Unger	10/11	7/7	2/2

[1] Kai Hietarinta and Viveca Ax:son Johnson were members of the board until 16 May 2007.

Evaluation of the Board's work
A formal review of the work of the Board was conducted in 2007. Through a questionnaire submitted to all the members, different aspects of Board work were considered including working procedures, working climate, need of special competence and information. The results and conclusions were presented to the Nomination Committee. The overall conclusions from the review process were the following:

- Existing composition of the Board is good for the tasks at hand
- Presentation materials and Board meetings are of professional quality
- Positive atmosphere during Board meetings conducive to open and frank discussions during meetings

Evaluation of the Board of Directors takes place on an ongoing basis.

BOARD OF DIRECTORS

Composition of the Board

According to the Articles of Association the Board shall consist of a minimum of three and a maximum of ten directors. Five board members were elected at the AGM on 16 May, 2007. The AGM also appointed the Chairman. No deputy directors have been appointed and the CEO is a member of the Board. There are no members appointed by employee organisations.

The composition of the Board meets the independence criteria of both the OMX Nordic Exchange Stockholm and the Code of Governance.

The Chairman of the Board of Directors is not employed by the Company and does not receive any salary nor is he eligible for participation in the Company's incentive programme. The Chairman of the Board of Directors upholds the reporting instructions for the Company Management as drawn up by the CEO and approved by the Board of Directors but does not take part in the day-to-day decision-making concerning the business operations of the Company.

PRESENTATION OF THE BOARD OF DIRECTORS

The board of directors at the end of 2007 consisted of five elected Board members. The President and CEO is the only executive member. There are currently no female members of the Board.

Ian H. Lundin

Director 2001, Chairman since 2002
Born 1960
Other board duties: Vostok Nafta Investment Ltd.
Bachelor of Science degree in Petroleum Engineering from the University of Tulsa. Ian Lundin was previously CEO of Lundin Oil from 1998–2001 and of Lundin Petroleum 2001–2002.
Shares in Lundin Petroleum: nil [1]
Incentive warrants: nil

C. Ashley Heppenstall

President and Chief Executive Officer, director since 2001
Born 1962
Other board duties: Vostok Gas Ltd., PetroFalcon Corp.
Bachelor of Science degree in Mathematics from the University of Durham. Ashley Heppenstall was previously CFO of Lundin Oil 1998–2001 and of Lundin Petroleum in 2001–2002.
Shares in Lundin Petroleum: 1,318,250
Incentive warrants: 1,200,000

Lukas H. Lundin

Director since 2001
Born 1958
Board duties: Chairman of Tanganyika Oil Co. Ltd., Vostok Gas Ltd., Vostok Nafta Investment Ltd., Canadian Gold Hunter Ltd., Denison Mines Corp., Atacama Minerals Corp. Red Back Mining Inc. and Lundin Mining Corp. Member of the Board of Pearl Exploration and Production Ltd.
Graduate from New Mexico Institution of Mining, Technology and Engineering.
Shares in Lundin Petroleum: 796, 845
Incentive warrants: nil

William A. Rand

Director since 2001
Born 1942
Other board duties: Lundin Mining Corp., Vostok Nafta Investment Ltd., Vostok Gas Ltd, Denison Mines Corp., Canadian Gold Hunter Ltd, New West Energy Services Inc., Suramina Resources Inc., Tanganyika Oil Co. Ltd, Pender Financial Group Corporation and Dome Ventures Corporation.
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: 120,441
Incentive warrents: nil

Magnus Unger

Director since 2001
Born 1942
Other board duties: Chairman of SystemSeparation Sweden Holding AB, Value Formation AB and CAL-Konsult AB.
MBA from the Stockholm School of Economics.
Shares in Lundin Petroleum: 50,000
Incentive warrants: nil

[1] Landor Participations Inc. holds 13,538,956 shares in Lundin Petroleum. Landor Participations Inc. is an investment company wholly owned by a trust whose settler is Ian H. Lundin.

MANAGEMENT AND AUDITORS

Management and company structure

The President and CEO, a member of both the Board of Directors and Management, has overall responsibility for the Lundin Petroleum Group. The President and CEO is assisted in his functions by the Management. All the managers in the Company are responsible for working in compliance with the Company's strategies and the Code.

The main responsibility for the operations of subsidiaries, ensuring that the established profitability targets are maintained and that all of Lundin Petroleum's internal rules and principles are followed, rests with the manager of each subsidiary (General Manager) as well as with the Group Management. General Managers regularly report on all commercial, HSE, financial and legal issues to the Management.

Remunerations of the management

Lundin Petroleum's aim is to recruit, motivate and retain high calibre executives capable of achieving the objectives of the Group, and to encourage and appropriately reward superior performance in a manner that enhances shareholder value. Accordingly, the Group operates a Policy on Remuneration which ensures that there is a clear link to business strategy and a close alignment with shareholder interests and current best practice, and aims to ensure that senior executives are rewarded fairly for their contribution to the Group's performance (see note 38).

Auditors

PricewaterhouseCoopers AB,
Lilla Bommen 2,
Gothenburg, Sweden

Klas Brand
Born 1956
Authorised Public Accountant, PricewaterhouseCoopers AB

Bo Hjalmarsson
Born 1960
Authorised Public Accountant, PricewaterhouseCoopers AB

Bo Karlsson
Born 1966
Deputy Auditor, PricewaterhouseCoopers AB

C. Ashley Heppenstall

President and Chief Executive Officer, born 1962
Ashley Heppenstall has worked with public companies controlled by the Lundin family since 1993. He has been with Lundin Petroleum from the start in 2001. He was appointed President and CEO in 2002 and as such he is responsible for the overall leadership, strategy and vision of Lundin Petroleum. Ashley Heppenstall is a mathematics graduate of the University of Durham.
For additional information see Board on page 31.

Alexandre Schneiter

Executive Vice President and Chief Operating Officer, born 1962
Alex Schneiter has worked with public companies controlled by the Lundin family since 1993. He has been with Lundin Petroleum from the start in 2001. He leads an experienced team of oil and gas professionals who are responsible for Lundin Petroleum's worldwide exploration and production operations. Alex Schneiter is a graduate of the University of Geneva with a degree in Geology and a masters degree in Geophysics.
Shares in Lundin Petroleum: 50,000
Incentive warrants outstanding: 1,050,000

Geoffrey Turbott

Vice President Finance and Chief Financial Officer, born 1963
Geoffrey Turbott has worked with public companies controlled by the Lundin family since 1995. He has been with Lundin Petroleum since 2001. He is directly responsible for Lundin Petroleum's financial reporting, internal audit, financial risk management, tax and treasury functions. Geoffrey Turbott is a member of the Institute of Chartered Accountants of New Zealand.
Shares in Lundin Petroleum: 50,000
Incentive warrants outstanding: 375,000

Chris Bruijnzeels

Vice President Reservoir and Production, born 1959
Chris Bruijnzeels joined Lundin Petroleum in 2003. He is responsible for the optimum development of Lundin Petroleum's asset portfolio. Chris Bruijnzeels is a graduate of the University of Delft with a degree in Mining Engineering.
Shares in Lundin Petroleum: nil
Incentive warrants outstanding: 215,000

Christine Batruch

Vice President Corporate Responsibility, born 1959
Christine Batruch has been with Lundin Petroleum since 2001. She is responsible for Lundin Petroleum's strategy in HSE and government, community and interest group relations. Christine Batruch is a graduate of the University of Toronto, with a Bachelor of Arts Degree in History and degrees in Civil and Common Law from McGill University in Montreal. In 1989 she qualified as barrister and solicitor of the Law Society of Upper Canada in Ontario Canada.
Shares in Lundin Petroleum: 2,000
Incentive warrants outstanding: 120,000

Jeffrey Fountain

Vice President Legal, born 1969
Jeffrey Fountain joined Lundin Petroleum at the beginning of 2003. He is responsible for all legal matters pertaining to the Lundin Petroleum group of companies. Jeffrey Fountain has a Bachelor of Commerce and Economics degree from Trinity College, University of Toronto and a Bachelor of Laws degree from University of Toronto.
Shares in Lundin Petroleum: nil
Incentive warrants outstanding: 175,000

Tim Coulter

Vice President Operations, born 1953
Tim Coulter joined Lundin Petroleum in 2005. He is responsible for engineering, drilling and production operations for the Lundin Petroleum group of companies. Tim Coulter is a graduate of the University of Washington in Seattle with a Bachelor of Science degree in Molecular Biology and has a Masters of Science in Petroleum Engineering from Stanford University, California.
Shares in Lundin Petroleum: nil
Incentive warrants outstanding: 140,000

James Phillips[1]

Vice President Exploration Africa and Middle East, born 1956
James Phillips joined Lundin Petroleum in 2005. He is responsible for Lundin Petroleum's assets in Ethiopia, Kenya, and exploration ventures across the African and Middle East regions. James Phillips is a graduate of the University of California, Berkeley and San Diego State University where he obtained Bachelor and Masters degrees, respectively, both in Geology.
Shares in Lundin Petroleum: nil
Incentive warrants outstanding: 150,000

[1] Jame Phillips was appointed Vice President as per 1 April 2008

INTERNAL CONTROL REPORT

THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING FOR THE FINANCIAL YEAR 2007

According to the Swedish Company's Act and the Swedish Code of Conduct the Board is responsible for the internal control of the company. This report has been prepared in accordance with the Swedish Code of Corporate Governance and is accordingly limited to internal control over financial reporting. This report describes the financial internal control function but does not comment on its effectiveness. The Swedish Corporate Governance Board has decided that the Board does not need to make a formal statement on how the internal control has functioned during the year. Therefore, this report is limited to a description of how the internal control over financial reporting is organised. This report is not part of the formal financial statements and has not been subject to an audit.

The internal control system for financial reporting has been created to ensure the Group's objective for financial reporting is fulfilled. Lundin Petroleum's objective for financial reporting is as follows:

"The financial reporting objective of Lundin Petroleum is to provide reliable and relevant information for internal and external purposes, in compliance with existing laws and regulations, on a timely and accurate manner."

An internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, and is designed to manage rather than eliminate the risk of failure to achieve the financial reporting objectives.

Lundin Petroleum's Financial Reporting Internal Control System consists of five key components and is based upon "the COSO Framework", which is the generally accepted framework for internal controls systems instigated by the Committee of Sponsoring Organisations of the Treadway Commission.

Control environment

The control environment establishes the overall tone for the organisation and is the foundation for all of the other components of internal control. Sub-components of the control environment are:

- Integrity and ethical values
- Commitment to the development of Financial Reporting Competencies
- Management's philosophy and operating style
- Organisational structure
- Assignment of authority and responsibility
- Human resources policies and procedures
- Participation by those charged with governance (i.e., board of directors, audit committee)

The Board adopted the Code of Conduct for Lundin Petroleum in 2001 when the Group was formed. Through this Code the Board has stated the Group's vision and values and the standards of integrity, ethical value and competence at which the Group's employees must operate. The Board has approved in 2005 an anti-fraud policy outlining the employees' responsibilities with regard to fraud prevention, what to do if fraud is suspected and what action will be taken by management in the case of suspected or actual fraud. The inclusion of independent directors within the Board of Directors provides an objective view and monitoring of the Companies processes and application thereof. The Group is constantly reviewing and developing the existing Delegation of Authority levels to ensure that they reflect the realisation of the current business needs and objectives.

The responsibility for maintaining an effective control environment and for operating the system of internal control and risk management is delegated to the President and CEO and the management at varying levels. All employees are accountable for compliance with these guidelines, principles and values within their areas of control and risk management.

Together with laws and external regulations, these internal guidelines form the control environment which is the foundation of the internal control and risk-management process.

Risk assessment

Risk assessment includes identifying, sourcing and measuring business risks, such as strategic, operational, commercial, financial and compliance risks, including non-compliance with laws, other external regulations, and internal guidelines.

Lundin Petroleum has reviewed and analysed the risks that exist within the financial reporting process and has structured its internal control systems around the risks identified. The risks have been grouped based on the following categories: Revenue, Procurement, Inventory/Production, Capitalised Expenditure and fixed Assets, Tax, Treasury and Cash Management, Financial reporting and Information Technology. The above categories are subdivided and control activities have been developed to mitigate the identified risks. Following the identification and evaluation of a risk, a control activity must be implemented to minimise the risks in the financial reporting process.

Control activities

Control activities are the methods and activities for controlling the accuracy and reliability of reports, fostering efficiency and ensuring compliance with defined accounting principles and other directives given by the management.

The choice of control activities depends on the nature of the risk identified and the results of a cost-benefit analysis. Developed control activities within Lundin Petroleum include process for approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets, segregation of duties, policies and procedures and information technology. The degree of compliance with these control activities indicates the level of risk that exists within the financial reporting process.

There are monthly, quarterly and annual financial reporting timetables in place to ensure timely information is made available to management, enabling them to carry out their responsibilities adequately and efficiently.

The Group also constantly strives for improvement of its systems and processes.

In 2007 Lundin Petroleum implemented an enhanced and standardised Group reporting system, Cognos Controller, to minimise the risks in the financial consolidation process and thereby increase the control, efficiency and effectiveness of the financial reporting process. This system formalises the process of consolidating the financial results and position of the consolidated subsidiaries. The Cognos Controller application has inherent controls over the gathering of the financial information, the consolidation process including currency translations, and report generation thereby ensuring the accuracy of the reported data.

In conjunction with the implementation of Cognos Controller, the Group's accounting system, Sun System, was also reviewed and further standardised across the Group.

As part of a Group initiative, Lundin Petroleum commenced the implementation of Monthly Processing Schedules throughout the Group which enhance the identification of tasks and responsibilities by finance staff in an organised and timely manner.

In line with the above, further documentation of responsibilities by function of finance staff was also effected.

Within the Group, existing procedures and policies constantly undergo further development.

Information and communication

Communicating relevant information throughout all levels of the company and to the appropriate external parties is an important part of internal control. Management has focused on understanding the systems and processes that are important in the accumulation of financial data, including the system of controls that safeguard information, the processes for authorising transactions, and the system for maintaining records.

Lundin Petroleum believes that an awareness of the COSO framework throughout the organisation stimulates an environment of self control and constant improvement. As part of the awareness process, Finance Managers attended a presentation on Internal Control within Lundin Petroleum during 2007. Guidelines regarding the financial reporting are communicated to employees, for example, by ensuring that all manuals, policies and codes are published and accessible internally. Communication is continuous and the information is spread regularly not only within the Group, but also to external parties by press releases.

Monitoring

Monitoring of the financial reporting of Lundin Petroleum is carried out by the Board of Directors, Group Management, External auditors and Shareholders', and the Lundin Petroleum's Internal Audit function and other employees on different functions within the Group through their COSO awareness.

- The Board of Directors

  The Board reviews and evaluates comprehensive financial information regarding the Group as a whole and the entities it comprises. The Board also reviews, primarily through the Audit Committee, the most important accounting principles applied by the Group in financial reporting, as well as changes to these principles. Minutes are taken at all meetings of the Audit Committee and are available to all Board members and the auditors. The working procedures determined by the Board include detailed instructions regarding the type of internal financial reports that shall be submitted to the Board.

  The Board reviews and approves the interim reports for Quarter 2 and Quarter 4 and the annual report. The Quarter 1 and Quarter 3 reports are reviewed and approved by the Audit committee. For more information about the functions of the Board see pages 28–29.

- External auditing and monitoring

  Lundin Petroleum's financial statements are audited by their external auditors on an annual basis for inclusion within the annual report. A limited review is carried out on the half year report. The external auditors meet regularly with the management of the company and attend the Audit Committee meetings for the review and approval of the half and full year financial statements. The external auditors meet the Board of the company without management present at least once a year.

  In addition to the interim and annual reports the following are issued to the public thereby enabling shareholders to monitor the activities of the company:

  - Press releases on all important matters which could materially affect the share price
  - Presentations, webcasts and telephone conferences for analysts, investors and media representatives on the day of publication of the quarterly and full-year results, and in connection with release of important news

  Compliance with the control activities is monitored at all levels from departmental management up to the Board of Directors.

- Monitoring of the Control Activities

  Lundin Petroleum acknowledges that it is necessary to review the effectiveness of the control activities and the compliance therewith and as such believes that an internal audit function is necessary. In 2006 Lundin Petroleum recruited an employee who has amongst other duties, the responsibility to manage the internal audit function and dedicates approximately 60% of his time for doing so.

Following Lundin Petroleum's internal risk assessment it was determined that the priority for further audit work should be directed towards the procurement system and an audit in this area commenced in 2006. Most group offices have been reviewed during 2006 and 2007 with the intention that the two remaining offices will be reviewed in 2008. No material divergence from existing procedures in the procurement area was reported in the offices reviewed.

During 2008 the Group will continue the enhancement and development of analytical tools for financial reporting by the introduction of the Cognos Business Intelligence Module, which will allow executives, managers and controllers within Lundin Petroleum to have a more direct tool to analyse the financial results, production, sales etc as recorded within the accounting system. The introduction of this new reporting and analysis software represents an additional monitoring tool.

Improving on a continuous basis

The internal control of financial reporting has created a continuous evaluation of the risks and control activities within the organisation. The evaluation work involves internal as well as external benchmarking. This evaluation process and the work followed is an ongoing process involving enhancement of control activities such as procedures and processes and information and communication within the Group.

Following the procurement review, existing procedures in this area are being developed with the aim of further standardisation.

THE LUNDIN PETROLEUM SHARE & SHAREHOLDERS

Lundin Petroleum share

Lundin Petroleum's shares are listed on the Large Cap list of the Nordic Exchange in Stockholm, Sweden. As at January 2008 Lundin Petroleum's share is part of the OMX 30 index, at the Nordic Exchange in Stockholm, Sweden.

Trading and market capitalisation

Trading of Lundin Petroleum shares takes place on the Nordic Exchange. Lundin Petroleum's market capitalisation as at December 31 2007 was MSEK 21,300.

Liquidity

High liquidity is important in attracting major institutional investors to Lundin Petroleum. During 2007 a daily average of 2,342,127 Lundin Petroleum shares with a weighted average value of MSEK 167 were traded on the Nordic Exchange, in Stockholm.

Share capital and voting rights

The registered share capital at 31 December 2007 amounts to SEK 3,154,186 represented by 315,418,580 shares of quota 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 132,000 shares had been issued but not registered at 31 December 2007.

Incentive warrants

The Group operates an employee incentive scheme whereby warrants are issued to employees following approval at the Annual General Meeting (AGM). In the event that all outstanding incentive warrants are exercised Lundin Petroleum will receive an amount of MSEK 750.0 and the number of shares will be diluted by 2.9 percent. The incentive warrants outstanding at the end of the period and their expiry date and exercise prices are shown in the table.

In addition to these incentive warrants, 642,500 incentive warrants were acquired and converted to Lundin Petroleum incentive warrants and another 371,500 incentive warrants in Lundin Petroleum were issued in connection with the acquisition of Valkyries Petroleum Corp (Valkyries). The number of incentive warrants associated with the Valkyries acquisition outstanding at 31 December 2007 amounted to 384,000 with an exercise price in the range SEK 75.62 – 97.40 with various exercise periods up to 31 May 2009.

Outstanding incentive warrants

	2005 programme	2006 programme	2007 programme
Number of warrants initially issued	2,900,000	3,226,000	3,950,000
Strike price in SEK	60.20	97.40	78.05
Exercisable period	15 June 2006 -31 May 2008	15 June 2006 -31 May 2009	1 Dec 2008 -31 May 2010
Issued and outstanding warrants as at 31 Dec 2007	2,360,000	3,086,000	3,470,000

For information on the incentive warrants see Note 39.

AGM resolution

During the AGM in 2007 it was resolved that the Board of Directors is authorised to issue no more than 35,000,000 new shares, without the application of the shareholders pre-emption rights, in order to enable the company to raise capital for the company's business operations and business acquisitions. If the authorisation is fully utilised the dilution effect on the share capital will amount to 10.0% percent.

Dividend policy

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

The size of the dividend would have 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 priority to the funding of ongoing projects, and satisfy the immediate capital requirements of Lundin Petroleum.

Analyst coverage

Broker	Analyst	Contact
ABG Sundal Collier	Ole Martin Westergaard	ole.westergaard@abgsc.no
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Cheuvreux	David Hallden	dhallden@cheuvreux.com
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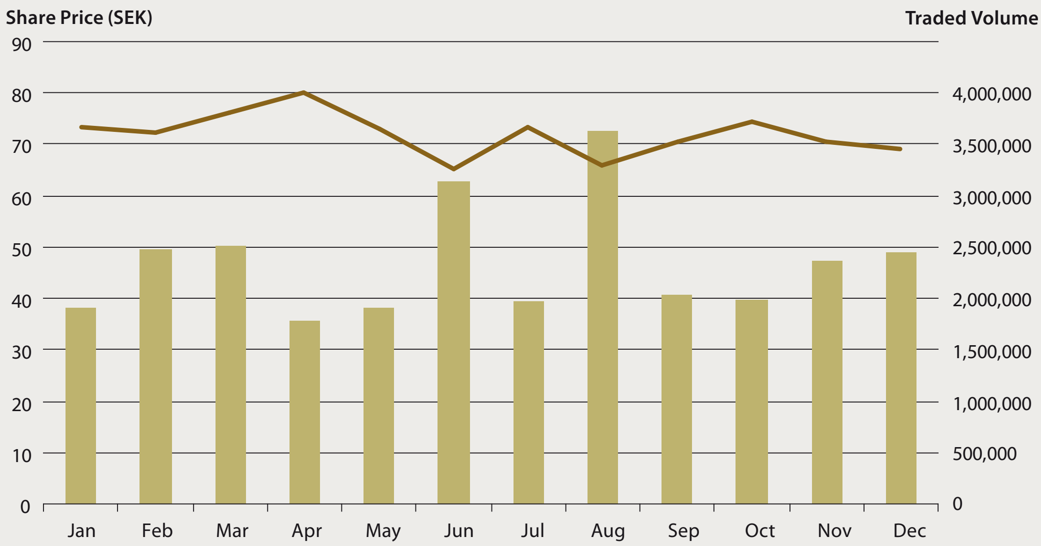
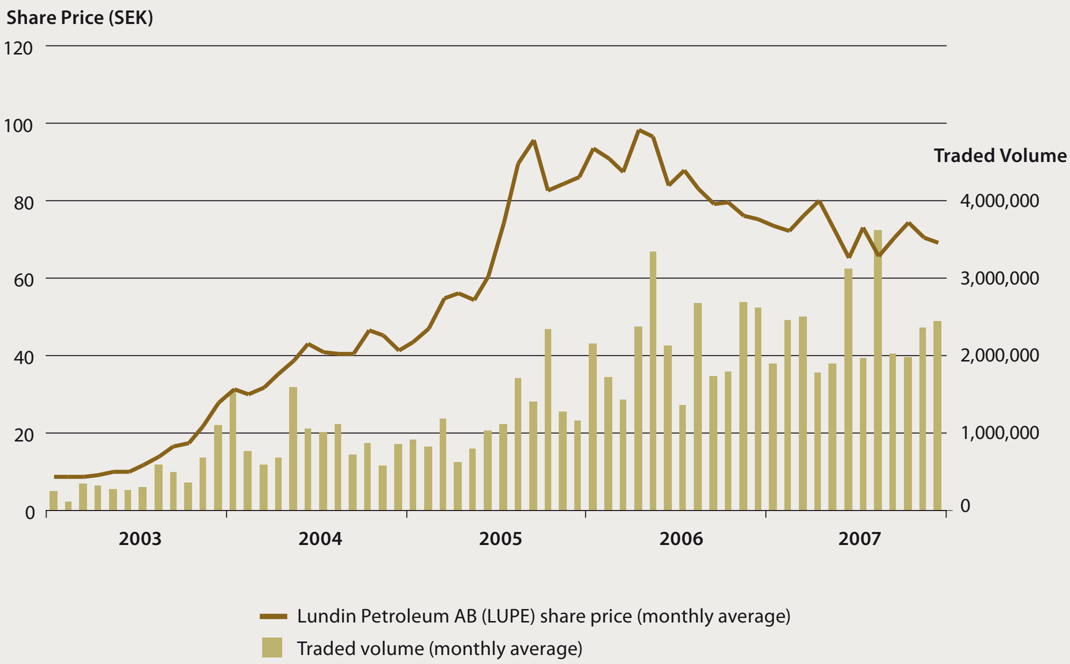
HQ Bank	Alexander Vilval	alexander.vilval@swedbank.com
Kaupthing	Christian Dahlberg	christian.dahlberg@kaupthing.com
Merrill Lynch	Andrew Knott	andrew_knott@ml.com
SEB	Julian Beer	julian.beer@enskilda.se
Standard & Poor's	Christine Tiscareno	christine.tiscareno@standardandpoors.com
Swedbank Markets	John Helgesson	john.helgesson@swedbank.se
Öhman Fondkomission	Joakim Kindahl	joakim.kindahl@ohman.se

2007 SHARE PRICE



2003 – 2007 SHARE PRICE



Share data

Since Lundin Petroleum was incorporated in May 2001 and up to 31 December 2007 the Parent Company share capital has developed as shown below.

Share data	Month and year	Quota value (SEK)	Change in number of shares	Total number of shares	Total share capital (SEK)
Formation of the Company	May 2001	100.00	1,000	1,000	100,000
Share split 10,000:1	June 2001	0.01	9,999,000	10,000,000	100,000
New share issue	June 2001	0.01	92,861,283	102,861,283	1,028,613
New share issue	July 2001	0.01	3,342,501	106,203,784	1,062,038
New share issue	Nov 2001	0.01	106,203,784	212,407,568	2,124,076
Warrants	June 2002	0.01	35,609,748	248,017,316	2,480,173
Incentive warrants	2002	0.01	667,700	248,685,016	2,486,850
Incentive warrants	2003	0.01	2,840,450	251,525,466	2,507,609
Incentive warrants	2004	0.01	2,222,900	253,748,366	2,537,484
Incentive warrants	2005	0.01	3,391,800	257,140,166	2,571,402
Incentive warrants	2006	0.01	1,219,500	258,359,666	2,583,597
Valkyries acquisition	2006	0.01	55,855,414	314,215,080	3,142,151
Incentive warrants	2007	0.01	1,335,500	315,550,580	3,155,506
Total			**315,550,580**	**315,550,580**	**3,155,506**

The number of shares and share capital includes non registered shares of 132,000 as at 31 December 2007.

Distribution of shareholdings

Distribution of shareholdings in Lundin Petroleum as provided by VPC, 31 December 2007.

Size categories as at 31 Dec 2007	Numbers of shareholders	Percentage of shares,%
1-500	25,982	1.6
501-1,000	7,482	2.0
1,001-10,000	8,603	8.5
10,001-50,000	979	6.6
50,001-100,000	133	3.0
100,001- 500,000	130	9.2
500,001 -	74	69.1
Total	**43,383**	**100.0**

Share ownership structure

Lundin Petroleum had 43,383 shareholders by 31 December 2007. The proportion of shares held by institutional investors amounted to 81.4 percent. Foreign investors held 56.0 percent of the shares.

The 15 largest shareholders provided by VPC, as at 31 Dec 2007	Numbers of shares	Subscription capital/votes,%
Lorito Holdings Ltd	76,342,895	24.2
Landor Participations Inc.	13,538,956	4.3
Swedbank Robur	12,139,148	3.8
Afa Försäkring	11,778,084	3.7
Zebra Holdings Ltd	10,844,643	3.4
LGT Bank in Liechtenstein Ltd	7,050,083	2.2
SEB Investment Management	6,086,791	1.9
Andra AP-fonden	4,235,765	1.3
Handelsbanken fonder	3,387,325	1.1
Första AP-fonden	2,761,900	0.9
Folksam – KPA- Förenade Liv	2,753,394	0.9
Försäkringsbolaget Avanza Pension	2,111,903	0.7
SEB Enskilda	1,980,672	0.6
Nordea fonder	1,790,567	0.6
Skandia Livförsäkrings AB	1,682,181	0.5
Other shareholders	156,934,273	49.9
Total	**315,418,580**	**100.0**

- The 15 largest shareholders are registered with the VPC, the Swedish Securities Register Center
- Lorito Holdings Ltd. holds 76,342,895 shares in Lundin Petroleum. Lorito Holdings Ltd. is an investment company wholly owned by a Lundin family trust.
- Landor Participations Inc. holds 13,538,956 shares in Lundin Petroleum. Landor Participations Inc. is an investment company wholly owned by a trust whose settler is Ian H. Lundin.
- Zebra Holdings Ltd. holds 10,844,643 shares in Lundin Petroleum. Zebra Holdings Ltd. is an investment company wholly owned by a Lundin family trust.
- As per 31 December 2007 an additional 132,000 shares had been issued but not registered at 31 December 2007.

RISK FACTORS

The major risk the Lundin Petroleum Group faces is the nature of oil and gas exploration and production itself. Oil and gas exploration, development and production involve high operational and financial risks, which even a combination of experience, knowledge and careful evaluation may not be able to fully eliminate or which are beyond the Company's control. Lundin Petroleum's long-term commercial success depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. A future increase in Lundin Petroleum's reserves will depend not only on its ability to explore and develop any properties Lundin Petroleum may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. In addition, there is no assurance that commercial quantities of oil and gas will be discovered or acquired by Lundin Petroleum. Other risks have been categorised to either Operational Risks or Financial Risks.

Operational risk

The Group faces a number of risks and uncertainties in the areas of operation which may have an adverse impact on its ability to successfully pursue its exploration, appraisal and development plans as well as on its production of oil and gas.

Production costs

Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Availability of drilling equipment and access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Lundin Petroleum and may delay exploration and development activities.

Reliance on key personnel

Lundin Petroleum's success depends in large measure on certain key personnel. The competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Lundin Petroleum will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Reserve estimates

In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Health, safety and environment (HSE)

Extensive national, state, and local environmental laws and regulations in foreign jurisdictions affect nearly all of the operations of Lundin Petroleum. These laws and regulations set various standards regulating certain aspects of health and safety, and environmental quality, provide for civil and criminal penalties and other liabilities for the violation of such standards and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. See also page 20–24 Corporate Responsibility for more information.

Legal risks

The company could be the target of legal complaints raised by customers, employees and other third parties in the areas of health, environmental, safety or business related issues or the failure to comply with applicable legislation and regulations. Even if such disputes were to be resolved successfully, without financial consequences they could negatively impact the Group's reputation and take up resources that could be used for other purposes.

Competition

The petroleum industry is competitive in all its phases. Lundin Petroleum's competitors will include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of Lundin Petroleum. Lundin Petroleum's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Geopolitical risk

Lundin Petroleum is, and will be, actively engaged in oil and gas operations in various countries. Risks may arise in changes in laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange and exchange control. Further, certain aspects of Lundin Petroleum's exploration and production programs require the consent or favourable decisions of governmental bodies. In addition, Lundin Petroleum's exploration, development and production activities may be subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, taxation, royalties, duties, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which Lundin Petroleum's operations are conducted, as well as risks of loss in some countries due to civil strife, acts of war, guerrilla activities and insurrection. Oil installations are known to be likely objects, and even targets, of military operations and terrorism. Given their vulnerability and the considerable economic interests involved, this adds to the risk profile of Lundin Petroleum's interests.

Financial risk

Financial risks such as fluctuations in currency rates, oil price, interest rates, liquidity risk and credit risk as well as derivative used has been described in Note 14 on page 65 in the financial report.

Risks in the financial reporting are described in the Report for Internal Control of financial reporting in the Corporate Governance report on page 34–36.

FIVE YEAR FINANCIAL SUMMARY

Income Statement Summary (TSEK)	2007	2006	2005	2004	2003[1]
Operating income	5,484,295	4,414,506	4,190,184	2,468,286	1,120,505
Production costs	-2,266,911	-1,575,781	-1,310,905	-1,074,491	-419,911
Depletion of oil and gas properties	-997,644	-776,735	-753,428	-381,252	-192,002
Write-off oil and gas properties	-369,596	-123,469	-208,135	-150,065	-2,395
Gross profit	**1,850,144**	**1,938,521**	**1,917,716**	**862,478**	**506,197**
Sale of asset	–	–	192,122	98,192	720,098
General, administration & depreciation (net)	-168,760	-107,200	-96,680	-112,268	-157,786
Operating profit/(loss)	**1,681,384**	**1,831,352**	**2,013,158**	**848,402**	**1,068,509**
Financial investments	129,127	31	-152,449	-1,541	-50,526
Profit/(loss) before tax	**1,810,511**	**1,831,352**	**1,860,709**	**846,861**	**1,017,983**
Tax	-858,037	-1,036,917	-866,734	-241,603	-79,881
Net result	**952,474**	**794,435**	**993,975**	**605,258**	**938,102**
Net result attributable to:					
Shareholders of the parent company	956,953	803,005	993,507	598,245	930,229
Minority interest	-4,479	-8,570	468	7,013	7,873
NET RESULT	**952,474**	**794,435**	**993,975**	**605,258**	**938,102**

Balance Sheet Summary (TSEK)	2007	2006	2005	2004	2003[1]
Tangible fixed assets	16,879,890	14,525,270	5,827,007	4,334,025	1,872,962
Other non-current assets	2,146,526	1,662,651	502,474	481,041	134,018
Current assets	2,026,835	1,497,490	1,432,892	1,037,247	697,243
TOTAL ASSETS	**21,053,251**	**17,685,411**	**7,762,373**	**5,852,313**	**2,704,223**
Shareholders' equity	9,705,949	8,952,680	3,679,616	2,367,282	1,856,932
Minority interest	1,346,164	1,615,131	3,050	2,931	20,036
Total equity	**11,052,113**	**10,567,811**	**3,682,666**	**2,370,213**	**1,876,968**
Provisions	5,493,552	4,481,496	2,087,250	1,497,692	377,505
Interest bearing debt	2,740,168	1,391,063	736,151	1,343,021	118
Current liabilities	1,767,418	1,245,041	1,256,306	641,387	449,632
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	**21,053,251**	**17,685,411**	**7,762,373**	**5,852,313**	**2,704,223**

[1] The financial statements for the years 2007, 2006, 2005 and 2004 have been prepared in accordance with International Financial Reporting Standards (IFRS) (see page 54–58). In June 2002 the European Union (EU) adopted International Financing Reporting Standards (IFRS) for all companies listed on a stock exchange within the EU with effect from 1 January 2005, the adoption date. Lundin Petroleum has prepared the financial statements from 2005 and onwards in 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. The financial statements for the year 2003 have been prepared under Swedish GAAP and are not in conformity with years 2007, 2006, 2005 and 2004.

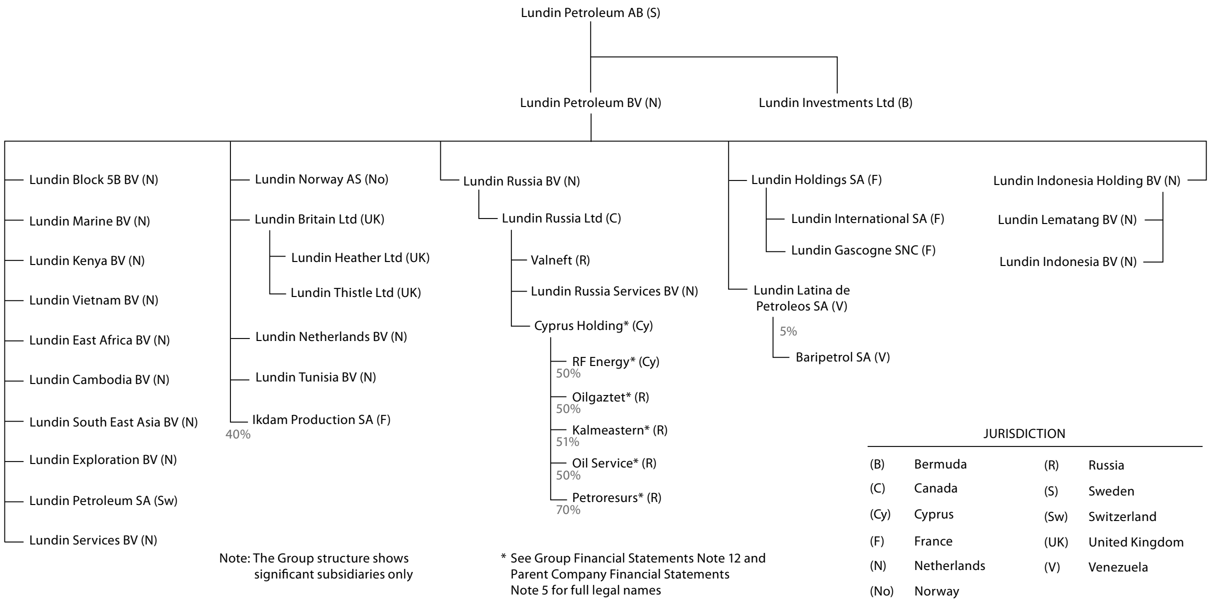
Financial objectives

The primary objective of Lundin Petroleum is to add value for the shareholders, employees and co-venturers 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 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 to part exploration and development expenditures and part acquisition costs capitalised in accordance with generally accepted accounting principles (IFRS). The underlying value of Lundin Petroleum's assets is the calculation of discounted cash flows based on future production from its reserves, which cash flow is then invested proactively to grow the reserves and production base.

Group Structure as at 31 December 2007



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 36.50 in cash plus one share in Lundin Petroleum AB for each share held in Lundin Oil AB. On 6 September 2001 the shares of Lundin Petroleum AB started trading on the 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 Large Cap list (now Nordic Exchange), Stockholm.

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 United Kingdom and Irish oil and gas interests. On 17 June 2004, Lundin Petroleum completed the acquisition of certain Norwegian assets from DNO ASA.

On 31 July 2006, Lundin Petroleum completed the acquisition of 100% of the shares in Valkyries Petroleum Corporation ("Valkyries").

On 31 October 2007 Lundin Petroleum completed the acquisition of 100% of the shares in Carr Production France SARL ("CARR").

The address of Lundin Petroleum AB's registered office is Hovslagargatan 5, Stockholm, Sweden.

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 United Kingdom and Irish assets and substantially all of the Norwegian assets of DNO ASA. During 2006 reserves were acquired through the acquisition of Valkyries giving the group assets in Russia. In 2007 further reserves were acquired through the acquisition of CARR.

Lundin Petroleum maintains a portfolio of oil and gas production assets and development projects in various countries with exposure to further exploration opportunities.

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.

United Kingdom

The net production to Lundin Petroleum for the year ended 31 December 2007 was 13,700 barrels of oil equivalent per day (boepd).

Net production from the Broom field (Lundin Petroleum Working Interest (WI) 55%) averaged 8,000 boepd during the year ended 31 December 2007. Production was in excess of forecast during the period as a result of good reservoir performance particularly from the BR-1 well. A further development well 2/5-25 has recently been successfully drilled on the Broom field following the successful acquisition of 3D seismic over the Greater Heather area. This development well has encountered oil bearing reservoir and is expected to come onstream in early April 2008.

Production from the Heather field (WI 100%) averaged 1,600 boepd for the year ended 31 December 2007. Production was below forecast due to the lack of water injection resulting in underperformance of the wells, delays to the infill drilling programme and postponement of the Heather Triassic well. The planned shutdown of the Heather platform for approximately two weeks related to the installation of new topsides equipment negatively impacted Broom and Heather production in the fourth quarter of 2007.

Net production from the Thistle field (WI 99%) averaged 4,100 boepd during the year ended 31 December 2007 which was below expectations. In November 2007 production from Thistle was suspended following a fire in one of the Thistle platform power generation turbine enclosures. Production recommenced in mid-January 2008 having a negative impact upon production in the fourth quarter of 2007. A long term investment programme to redevelop the Thistle Field commenced in 2007. The redevelopment involves the reinstallation of the Thistle drilling rig as well as further facilities investment to ensure an extended life for the Thistle platform. In addition, new 3D seismic was acquired over the Thistle field in the third quarter of 2007. The forward plan for Thistle involves new production well drilling and workover activity in 2008 and 2009 to enhance production levels.

Four exploration wells were drilled on Lundin Petroleum licences in the United Kingdom North Sea during 2007. The exploration wells 41/10a-2z (WI 25%) targeting the "Lytham/Haupt" prospect in the southern North Sea, 14/28a-5 (WI 10%) in the outer Moray Firth and 12/17b-1 (WI 30%) targeting the "Ridgewood" prospect in the Moray Firth area were plugged and abandoned as dry holes during 2007 and early 2008. The exploration well 21/8-3 in Licence P1107 (WI 40%) targeting the Palaeocene Scolty prospect and the Jurassic Banchory prospect was completed in the fourth quarter of 2007 in the central North Sea. The Scolty prospect was an oil discovery and the Banchory prospect was dry. An additional exploration well will be drilled in Licence P1107 during 2008 targeting the Torphins prospect based upon similar seismic amplitude anomalies to the Scolty discovery.

In 2007, Lundin Petroleum completed the acquisition of an approximate 40 percent net interest in the Peik gas/condensate field from Total. The Peik field which straddles the United Kingdom and Norwegian border is estimated to contain gross proven and probable reserves of 27 MMboe.

Norway

Net production from the Jotun field (WI 7%) offshore Norway averaged 700 bopd during the year ended 31 December 2007.

First production from the Alvheim field (WI 15%) is expected in the second quarter of 2008. The Alvheim floating production, storage and offloading (FPSO) vessel left Haugesund on 15 February 2008. The subsea infrastructure is in place and development drilling is progressing satisfactorily with six production wells ready for production start-up. Net plateau production from the Alvheim field is still expected at in excess of 14,000 boepd.

A plan of development for the Volund field (WI 35%) was approved by the Norwegian Government in 2007. First production of oil is forecast in 2009 at a peak rate of more than 8,700 boepd net to Lundin Petroleum.

The drilling of the Luno exploration prospect in Licence PL338 (WI 50%) operated by Lundin Petroleum was successfully completed as an oil discovery. The well discovered light oil in a Jurassic sandstone reservoir. The size of the discovery is estimated at between 65 MMboe and 190 MMboe of gross recoverable oil from the Jurassic reservoir with additional upside potential from the Triassic reservoir which was penetrated by the well. The Luno discovery will be appraised in 2008 with the first appraisal well forecast to spud in the second quarter of 2008.

The exploration well on Licence PL335 (WI 18%) was drilled in the third quarter of 2007 and was plugged and abandoned as a dry hole. The appraisal well on the Nemo field in Licence PL148 (WI 50%) has been successfully completed. The well was drilled to a vertical depth of 3,416 metres below the sea surface and encountered oil in the Ule Formation. Lundin Petroleum was carrying gross contingent resources for the Nemo field of 20.6 million barrels of oil (MMbo) prior to the drilling of the appraisal well. Initial estimates of revised gross resources for the Nemo field are now 20 -30 MMbo. The well results will be thoroughly evaluated by the partnership to support a likely development decision for the Nemo Field.

Further exploration drilling on the Phi North prospect in Licence PL292 (WI 40%) commenced in February 2008.

France

Production in the Paris Basin averaged 2,800 bopd during the year ended 31 December 2007 and was in line with expectations. The coiled tubing under-balanced drilling campaign involving four new horizontal production/injector wells in the Villeperdue field (WI 100%) was successfully completed.

Following the receipt of Government approval, Lundin Petroleum completed the acquisition of Carr Production France SARL in the fourth quarter of 2007. The assets acquired include the 20 percent minority interest in various Paris Basin producing fields where Lundin Petroleum already owns the remaining 80 percent interest. The acquisition added 3 MMboe of 2P (proved and probable) reserves and contingent resources net to Lundin Petroleum.

In the Aquitaine Basin (WI 50%), production averaged 700 bopd for the year ended 31 December 2007. Production was below forecast due to an oil spill at the Ambes terminal which resulted in the suspension of production for one month until alternative transportation and marketing solutions were put in place. Production has now returned to pre-shutdown levels.

Indonesia

Salawati Island and Basin (Papua)

The net production from Salawati (Salawati Island WI 14.5% and Salawati Basin WI 25.9%) was 2,600 boepd for year ended 31 December 2007. Production was below expectations primarily due to well downtime on the Walio field in Salawati Basin.

Lematang (South Sumatra)

The approval of the plan of development for the Singa gas field (WI 25.88%) by the Indonesian regulatory authorities was received in 2006. In 2007 a gas sales agreement was signed with PT PLN (PERSERO), a major Indonesian electricity generating company to supply a gross contracted volume of 133 billion cubic feet. Commissioning and first gas from the Singa field is forecast for 2009 at production rates net to Lundin Petroleum in excess of 2,000 boepd. In the first half of 2007, Lundin Petroleum completed the acquisition of an additional 10 percent working interest in the Lematang block from Serica Energy, increasing our interest to 25.88 percent.

Blora (Java)

The Tengis-1 exploration well (WI 43.3%) was completed in the third quarter of 2007. Two potential hydrocarbon zones were identified for testing operations. Gas flowed to surface with a high CO_2 content.

The well was plugged and abandoned and the Blora concession has been relinquished.

Jemaja/Sokang (Natuna Sea)
Lundin Petroleum has been awarded by MIGAS two Direct Offer Joint Study areas located in the Natuna Sea, the Jemaja Block and Sokang Block.

The Netherlands
Gas production from the Netherlands in 2007 was 2,200 boepd and in line with expectations.

Tunisia
The net oil production from the Oudna field (WI 40%) was 6,400 bopd for the year ended 31 December 2007. Production has been above forecast for the period since the field start-up in late 2006.

In March 2007, the Entreprise Tunisienne d'Activités Pétrolières (ETAP), the Tunisian state oil company, exercised its option to acquire a 20 percent interest in the Oudna field and as a result, Lundin Petroleum's interest was reduced from 50 percent to 40 percent. Net production for 2007 is based upon a 50 percent interest for approximately 2.5 months and a 40 percent interest for the remainder. The consideration for the acquisition was a reimbursement of historical capital costs offset by net revenues since production start-up.

Russia
The net production from Russia for the year ending 31 December 2007 was 4,900 boepd which was slightly below expectations.

Development and appraisal drilling was completed at the Orenburg (WI 50%) and Komi (WI 50%) production operations. In addition subsurface studies were completed at the onshore Kalmykia (WI 51%) operation with a view to commencing further development drilling.

The drilling of the Morskaya-1 exploration well in the Lagansky block (WI 70%) located in the Northern Caspian Sea will commence in the second quarter of 2008. The construction of the barge mounted facilities necessary for the shallow water drilling has been completed. In 2007, Lundin Petroleum received approval from the Russian licensing agency, Rosnedra, to the amendments of the licence commitments of the Lagansky block. In February 2008, Lundin Petroleum received the drilling permit for the Morskaya-1 exploration well from the Russian Federal Service for Supervising Natural Resources (Rosprirodnadzor). The Laganskaya-1 exploration well will be drilled in the second half of 2008. Further seismic acquisition was completed in 2007 and successfully upgraded the Petroskaya structure to a prospect which is likely to be drilled in 2009. An option agreement in relation to the Lagansky block was signed in July 2007 with JSC Gazprom ("Gazprom") whereby Gazprom will have an option to earn a 50 percent plus one share interest in the Lagansky block. In addition, Lundin Petroleum has signed an option agreement with its minority partner to purchase its 30 percent interest. The net effect if both options are exercised is that Gazprom will own a 50 percent plus one share and Lundin Petroleum will own a 50 percent less one share interest in the Lagansky block.

Sudan
A four well exploration drilling programme in Block 5B (WI 24.5%) commenced in February 2008 with the drilling of the Nyal-1 exploration well using a land rig. The drilling of the Wan Machar-1 (formerly Umm Dandalo) exploration well did commence in the first quarter 2008. The 2D seismic acquisition is progressing with 984 km of new data having been acquired during 2007.

Rumours about conflicting awards for certain concessions in Southern Sudan have been brought to an end by the National Petroleum Commission, constituted of representatives of both North and South Sudan governments, which confirmed the sole validity of the existing contracts entered into by the Sudan government with the Block 5B consortium. The National Petroleum Commission has asked the Block 5B concession partners to accommodate the national oil company of the South Sudan Government, "NilePet", with a 10 percent working interest in Block 5B.

Congo (Brazzaville)
During 2007 all government approvals were received in respect of the acquisition of an 18.75 percent working interest in Block Marine XI offshore Congo (Brazzaville). The acquisition of 1,200 km^2 of 3D seismic was successfully completed in the fourth quarter of 2007 and drilling operations will commence in late 2008 subject to rig availability.

Vietnam
A production sharing agreement was signed in 2007 for a 33.33 percent working interest in Block 06/94 in the Nam Con Son Basin, offshore Vietnam. The acquisition of 720 km^2 of 3D seismic was successfully completed in the third quarter of 2007 and seismic interpretation is ongoing. Exploration drilling will commence in late 2008.

Ethiopia
Two new production sharing contracts were signed in July 2007 covering Blocks 7 & 8 (WI 100%) located in the Ogaden basin and the Adigala Block (WI 100%) located in the Afar basin area. This is in addition to Blocks 2 and 6 (WI 100%) signed in 2006. Aeromagnetic and aerogravity studies were successfully completed in 2007.

Kenya
In October 2007, a new production sharing contract for Block 10A (WI 100%) was signed. Block 10A is located in the Anza Basin in Northwest Kenya. Aerogravity studies will be conducted during 2008.

Cambodia
In October 2007, Lundin Petroleum acquired a 34 percent interest in Block E, offshore Cambodia. The 1,200 km 2D seismic acquisition that was recently completed on Block E will be used to define further exploration activities.

Venezuela
In February 2008, the sale of Lundin Petroleum's Venezuelan interests was successfully completed. As a result of the transaction, Lundin Petroleum has become the largest shareholder with a 42 percent interest in PetroFalcon Corporation. PetroFalcon is listed on the Toronto Stock Exchange and has proven and probable reserves of 36 million barrels of oil equivalent as at 1 January 2007.

FUTURE OUTLOOK
The Company is actively pursuing opportunities to further expand its oil and gas portfolio and increasing its reserves through acquisition of producing properties, exploration activity and exploitation of existing assets.

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.

FINANCIAL RESULT AND CONDITION OF THE GROUP

Result

Lundin Petroleum reports a net profit for the financial year ended 31 December 2007 of MSEK 952.5 (MSEK 794.4) representing earnings per share on a fully diluted basis of SEK 3.02 (SEK 2.81) for the financial year ended 31 December 2007.

Operating cash flow for the financial year ended 31 December 2007 amounted to MSEK 3,126.1 (MSEK 2,271.0) representing operating cash flow per share on a fully diluted basis of SEK 9.91 (SEK 8.05) for the financial year ended 31 December 2007.

Earnings before interest, tax, depletion and amortisation (EBITDA) for the financial year ended 31 December 2007 amounted to MSEK 3,048.6 (MSEK 2,731.5) representing EBITDA per share on a fully diluted basis of SEK 9.67 (SEK 9.68) for the financial year ended 31 December 2007.

Changes in the Group

On 31 July 2006 Lundin Petroleum acquired 100% of the shares of Valkyries Petroleum Corp. ("Valkyries") in an all share transaction. The financial results of Valkyries have been fully consolidated within the Lundin Petroleum group from 1 August 2006.

On 15 October 2007 Lundin Petroleum signed an agreement to acquire the shares in Carr Production France SARL ("CARR"). CARR directly held a 20 percent interest in four concessions located at Soudron, Grandville, Courdemanges and Vert la Gravelle and a research permit (Val des Marais). Lundin Petroleum is operator and holds the remaining 80 percent interest. The transaction was completed on 31 October 2007 after receipt of government approval. The results of CARR have been fully consolidated within the Lundin Petroleum group from this date.

Revenue

Net sales of oil and gas for the financial year ended 31 December 2007 amounted to MSEK 5,353.7 (MSEK 4,233.3) and are detailed in Note 1. Production for the financial year ended 31 December 2007 amounted to 12,662.9 (10,832.9) thousand barrels of oil equivalent (Mboe) representing 34.7 Mboe per day (Mboepd) (29.7 Mboepd) for the financial year ended 31 December 2007. The average price achieved for a barrel of oil equivalent for the financial year ended 31 December 2007 amounted to USD 65.65 (USD 59.70). The average Dated Brent price for the financial year ended 31 December 2007 amounted to USD 72.39 (USD 65.13) per barrel.

Other operating income for the financial year ended 31 December 2007 amounted to MSEK 130.6 (MSEK 181.2). This amount includes tariff income from the United Kingdom, France and the Netherlands and income for maintaining strategic inventory levels in France. Other operating income for the financial year ended 31 December 2006 included an amount of MSEK 22.3 generated from the sale of CO_2 emission rights in the United Kingdom.

Sales for the year ended 31 December 2007 were comprised as follows:

Sales Average price per boe* expressed in USD	2007	2006
United Kingdom		
- Quantity in Mboe	5,074.0	5,769.0
- Average price per boe	71.91	63.76
France		
- Quantity in Mboe	1,310.9	1,374.7
- Average price per boe	73.68	62.62
Norway		
- Quantity in Mboe	250.7	319.5
- Average price per boe	66.81	60.42
Netherlands		
- Quantity in Mboe	821.4	766.8
- Average price per boe	48.15	48.79
Indonesia		
- Quantity in Mboe	630.4	634.1
- Average price per boe	70.04	58.65
Russia		
- Quantity in Mboe	2,017.9	788.8
- Average price per boe	46.80	35.03
Tunisia		
- Quantity in Mboe	1,974.9	397.3
- Average price per boe	69.25	61.79
Total		
- Quantity in Mboe	**12,080.2**	10,050.2
- Average price per boe	**65.65**	59.70

* The average sales per boe is excluding the result on the hedge settlement.

The oil produced in Russia is sold on either the Russian domestic market or exported into the international market. 42% of Russian sales for the financial year ended 31 December 2007 were on the export market at an average price of USD 68.80 per barrel with the remaining 58% of Russian sales being sold on the domestic market at an average price of USD 30.94 per barrel.

Production

Production	2007	2006
United Kingdom		
- Quantity in Mboe	4,990.6	6,086.3
- Quantity in Mboepd	13.7	16.7
France		
- Quantity in Mboe	1,269.8	1,361.7
- Quantity in Mboepd	3.5	3.7
Norway		
- Quantity in Mboe	248.0	316.1
- Quantity in Mboepd	0.7	0.9
Netherlands		
- Quantity in Mboe	821.4	766.8
- Quantity in Mboepd	2.2	2.1
Indonesia		
- Quantity in Mboe	949.6	904.1
- Quantity in Mboepd	2.6	2.5
Russia		
- Quantity in Mboe	2,063.9	808.1
- Quantity in Mboepd	5.6	2.2
Tunisia		
- Quantity in Mboe	2,319.6	429.1
- Quantity in Mboepd	6.4	1.2
Venezuela		
- Quantity in Mboe	–	160.7
- Quantity in Mboepd	–	0.4
Total		
- Quantity in Mboe	**12,662.9**	10,832.9
- Quantity in Mboepd	**34.7**	29.7
Minority share in Russia		
- Quantity in Mboe	247.4	100.4
- Quantity in Mboepd	0.7	0.3
Total excluding minority share		
- Quantity in Mboe	**12,415.5**	10,732.5
- Quantity in Mboepd	**34.0**	29.4

Lundin Petroleum has fully consolidated its subsidiaries in Russia of which they have control with the portion not owned by Lundin Petroleum shown as a minority interest. The average production for Russia for the year ended 31 December 2007 adjusted for Lundin Petroleum's share of ownership is 4.9 Mboepd.

The number of barrels produced differs from the number of barrels sold for a number of reasons. There are timing differences between sales and production in field areas such as Tunisia and Norway where production is into a Floating Production Storage Offloading vessel (FPSO). Sales are recorded when a lifting takes place and these can be at varying intervals and will not always be equal to the production at the end of a financial period. Sales in the United Kingdom are based upon production nominated in advance and may not represent the actual production for that month. A difference between nominated and actual production will result in a timing difference in an accounting period. The accounting effect of the timing differences between sales and production are reflected in the movements in the hydrocarbons inventory and the under/overlift position. Over time, the total sales will equal the production. There are permanent differences between production and sales in some of the field areas. The production reported for the United Kingdom is the platform production. This is the amount of crude oil that is produced from the field into the pipeline system that takes the crude to the onshore terminal. Once the field's crude oil enters the pipeline system it is commingled with the crude oil produced from other fields in the pipeline system that produce the blend of crude oil that is sold. The crude oil that is pumped into the pipeline system is tested against the blend of crude oil that arrives at the terminal and an adjustment is made to the number of barrels allocated to each field to reflect the relative quality of the crude oil input into the system. There is a quality adjustment of approximately minus five percent applied to the United Kingdom crude oil produced. In Tunisia, a portion of the production is allocated to the Tunisian state as a royalty payment. In Indonesia, production is allocated under a Production Sharing Contract (PSC) where, as part of the commercial terms of the agreement, a part of the working interest production is allocated to the host country as a type of royalty payment.

Production cost

Production costs for the financial year ended 31 December 2007 expressed in US dollars were comprised as follows:

Production cost and depletion in TUSD	2007	2006
Cost of operations	231,533	184,320
Tariff and transportation expenses	28,995	20,310
Royalty and direct taxes	57,041	21,061
Changes in inventory/overlift	18,249	-11,852
Total production costs	**335,818**	213,839
Depletion	147,790	105,406
Total	**483,608**	319,245

Production cost and depletion in USD per boe	2007	2006
Cost of operations	18.28	17.01
Tariff and transportation expenses	2.29	1.87
Royalty and direct taxes	4.50	1.94
Changes in inventory/overlift	1.44	-1.09
Total production costs	**26.51**	19.73
Depletion	11.67	9.73
Total cost per boe	**38.18**	29.46

Production costs for the financial year ended 31 December 2007 amounted to MSEK 2,266.9 (MSEK 1,575.8) and are detailed in Note 2. The reported cost of operations amounted to USD 18.28 per barrel (USD 17.01 per barrel) for the financial year ended 31 December 2007.

As in 2006, the 2007 cost of operations was dominated by the levels of fixed costs for the two United Kingdom offshore platforms on the Thistle and Heather fields. Actual expenditure for the United Kingdom was 10% higher than forecast due to an increased requirement for diesel usage due to import gas outages, as well as increased import gas costs, higher aviation and vessel costs, higher offshore manpower costs, increased well intervention activity and a further devaluation of the USD:GBP exchange rate from the forecast exchange rate by 5.4%. In addition there was a full year's contribution of Oudna field costs and costs from the Russian operations acquired in August 2006. Despite the overall production level in 2007 being 17% higher than in 2006, the overall reported average cost of operations increased to USD 18.28 per barrel compared to USD 17.01 per barrel in 2006 due to the additional level of fixed costs.

Royalty and direct taxes includes Russian Mineral Resource Extraction Tax ("MRET") and Russian Export Duties. The rate of MRET varies in relation to world oil prices and is levied on the volume of Russian production. MRET averaged USD 13.05 per barrel for the financial year ended 31 December 2007. The rate of export duty on Russian oil is revised by the Russian Federation once every two months and is dependant on the price obtained for Russian oil on the export market. The export duty is levied on the volume of oil exported from Russia and averaged USD 27.92 per barrel for the financial year ended 31 December 2007.

Depletion

Depletion of oil and gas properties for the financial year ended 31 December 2007 amounted to MSEK 997.6 (MSEK 776.7) and is detailed in Note 3.

The Oudna field, which came onstream in November 2006, contributed a full year's depletion charge to the income statement in 2007 and at an average depletion cost per barrel of USD 19.48/boe, was the main factor in increasing the overall 2007 average depletion rate to USD 11.67 per barrel from USD 9.73 per barrel in 2006

Write off

Write off of oil and gas properties for the financial year ended 31 December 2007 amounted to MSEK 369.6 (MSEK 123.5) and is detailed in Note 4. Exploration and appraisal project costs are capitalised as they are incurred and then reviewed on a regular basis to assess their future recoverability. When a decision is made not to proceed with a project the relevant costs are expensed.

Lundin Petroleum completed the drilling of the exploration well 12/17b-1 on Licence P1301 in the North Sea in January 2008 and the well has now been permanently plugged and abandoned. The costs associated with this well will be written off in the first quarter of 2008 and amount to an estimated MSEK 50.0.

Other income

Other income for the financial year ended 31 December 2007 amounted to MSEK 3.2 (MSEK 9.6) and represents fees and costs recovered by Lundin Petroleum from third parties.

General, administrative and depreciation expenses

General, administrative and depreciation expenses for the financial year ended 31 December 2007 amounted to MSEK 172.0 (MSEK 116.8). Depreciation charges amounted to MSEK 15.1 (MSEK 11.4) for the financial year ended 31 December 2007. General and administrative expenses include an amount of MSEK 34.9 relating to the transaction costs for the cancelled initial public offering (IPO) of Viking Oil and Gas ASA during the first half of 2007.

Financial income

Financial income for the financial year ended 31 December 2007 amounted to MSEK 266.6 (MSEK 96.4) and is detailed in Note 6. Interest income for the financial year ended 31 December 2007 amounted to MSEK 37.7 (MSEK 31.6) and includes interest received on bank accounts of MSEK 33.2 (MSEK 25.6) and interest received on a loan to an associated company of MSEK 4.5 (MSEK 4.0).

Dividend income received for the financial year ended 31 December 2007 amounted to MSEK 22.5 (MSEK 12.0) of which MSEK 14.3 relates to a dividend from the 5% shareholding in Baripetrol SA paid in June 2007 and the remainder relates to distributions received from an unconsolidated investment in a company owning an interest in the Dutch gas processing and transportation infrastructure (NOGAT).

Net exchange gains for the financial year ended 31 December 2007 amounted to MSEK 191.0 (MSEK 46.2). Exchange rate variations result primarily from fluctuations in the value of the USD currency against a pool of currencies which includes, amongst others, NOK, EUR and the Russian Rouble (RUR). Lundin Petroleum has USD denominated debt recorded in subsidiaries using a functional currency other than USD. The devaluation of the USD against the NOK and the RUR led to exchange gains being recorded in these subsidiaries.

Financial expense

Financial expenses for the financial year ended 31 December 2007 amounted to MSEK 137.4 (MSEK 96.4) and are detailed in Note 7. Interest expense for the financial year ended 31 December 2007 amounted to MSEK 86.1 (MSEK 41.8) and mainly relates to the bank loan facility.

The amortisation of financing fees for the financial year ended 31 December 2007 amounted to MSEK 7.7 (MSEK 18.6).

Tax

The tax charge for the financial year ended 31 December 2007 amounted to MSEK 858.0 (MSEK 1,036.9) and is detailed in Note 8.

The current tax charge of MSEK 91.3 (MSEK 567.7) for the financial year ended 31 December 2007 comprises current tax charges in, primarily the United Kingdom, France, the Netherlands, Tunisia and Indonesia. During the first half year of 2007 the Group received a credit of United Kingdom corporation tax relating to the 2003-2005 corporation tax returns of MSEK 48.6. Also included in the current corporation tax is a tax refund due of MSEK 187.4 (MSEK 79.6) in Norway for exploration expenditure incurred in the fourth quarter of 2007.

The deferred tax charge for the financial year ended 31 December 2007 amounted to MSEK 766.7 (MSEK 469.2) and consists of corporation tax amounting to MSEK 748.8 (MSEK 477.0) and petroleum tax amounting to MSEK 17.9 (MSEK -7.8). Included in the deferred tax charge is a charge of MSEK 88.7 for tax losses carried forward utilised in Tunisia, and a charge of MSEK 918.9 due to timing differences in the rate of depletion of oil and gas assets between accounting and fiscal reporting, partly offset by tax losses carried forward in Norway and the Netherlands, amounting to MSEK 462.8 and MSEK 77.4 respectively. The deferred petroleum tax charge relates to Petroleum Revenue Tax (PRT) in the United Kingdom.

The Group operates in various countries and fiscal regimes where corporate income tax rates are different from the regulations in Sweden. Corporate income tax rates for the Group vary between 24% and 78%. Currently the majority of the Group's profit is derived from the United Kingdom where the effective tax rate amounts to 50%. The effective tax rate for the Group for the financial year ended 31 December 2007 amounts to approximately 47%. When the tax refund received in the United Kingdom for prior periods is eliminated the effective tax rate for the Group for the period amounts to approximately 50%.

Minority interest

The net profit attributable to minority interest for the financial year ended 31 December 2007 amounted to MSEK -4.5 (MSEK -8.6) and relates primarily to the minority portion of the Russian subsidiaries which are fully consolidated.

BALANCE SHEET

Non-current assets

Oil and gas properties as at 31 December 2007 amounted to MSEK 16,776.1 (MSEK 14,407.8) and are detailed in Note 9. Development and exploration expenditure incurred for the financial year ended 31 December 2007 is as follows:

Development expenditures in MSEK	**2007**	**2006**
United Kingdom	776.6	558.7
France	115.6	98.5
Norway	1,062.4	772.5
Netherlands	48.9	19.6
Indonesia	29.7	69.4
Russia	221.6	107.6
Tunisia	55.9	489.7
Venezuela	–	-2.4
Development expenditures	**2,310.7**	2,113.6

Exploration expenditure in MSEK	**2007**	**2006**
United Kingdom	401.9	83.3
France	4.6	25.1
Norway	476.6	103.1
Netherlands	0.7	8.1
Indonesia	98.3	62.3
Russia	300.5	183.1
Sudan	141.4	50.6
Ethiopia	56.5	1.8
Vietnam	47.4	1.8
Congo (Brazzaville)	28.5	79.0
Other	61.0	70.4
Exploration expenditures	**1,617.4**	668.6

In 2007 in addition to the above development and exploration expenditure an amount of MSEK 337.1 was paid on the completion of the Peik acquisition and an amount of MSEK 35.1 was paid for the additional 10% interest in the Lematang Block which contains the Singa gas field. During the first quarter of 2007 ETAP exercised their right to participate in the Oudna field, reducing Lundin Petroleum's interest from 50% to 40%. An amount of MSEK -39.7 has been recorded against oil and gas properties as the adjustment for the participation being the net amount of past capital costs less net revenues. On the 31 October 2007 the acquisition of CARR was completed and an amount of MSEK 82.6 was recorded for the acquisition of the oil and gas properties.

Other tangible assets as at 31 December 2007 amounted to MSEK 103.8 (MSEK 117.4).

The book value for goodwill in relation to the acquisition of the Russian business in 2006 amounted to MSEK 763.5 (MSEK 817.2) as at 31 December 2007. The movement in book value results from a change in exchange rate used for the consolidation of the financial statements.

Financial assets as at 31 December 2007 amounted to MSEK 538.9 (MSEK 357.4) and are detailed in Notes 13-17. Shares and participations amount to MSEK 245.7 (MSEK 260.3) as at 31 December 2007. Restricted cash as at 31 December 2007 amounted to MSEK 23.8 (MSEK 18.6) and represents the cash amount deposited to support a letter of credit issued in support of exploration work commitments in Sudan and Indonesia. Deferred financing fees as at 31 December 2007 amount to MSEK 63.4 (MSEK -) and relate to the costs incurred in establishing the new bank credit facility and are being amortised over the period of estimated usage of the facility. Long-term receivables amount to MSEK 62.5 (MSEK -) and relate to an amount paid to BNP Paribas to fund a bank loan held in a Russian jointly controlled entity. Other financial assets amount to MSEK 143.5 (78.5) and mainly represent VAT paid on exploration and development costs in Russia that is expected to be recovered from VAT received on future project revenues.

The deferred tax asset as at 31 December 2007 amounted to MSEK 844.1 (MSEK 488.0) and relates primarily to tax losses carried forward in Norway. The deferred tax asset at 31 December 2006 included tax losses carried forward for Norway and Tunisia.

Current assets

Receivables and inventories amounted to MSEK 1,543.4 (MSEK 1,200.3) as at 31 December 2007 and are detailed in Notes 18-21. Inventories include hydrocarbons and consumable well supplies. The short-term receivable relates to the short term portion of the BNP Paribas funding described in Financial assets above. Corporation tax receivables as at 31 December 2007 amounted to MSEK 396.1 (MSEK 115.0) and relate primarily to tax refunds due in Norway for exploration expenditure incurred during 2007. Other assets amounted to MSEK 184.4 (MSEK 101.5) as at 31 December 2007 and include an amount receivable on a joint seismic acquisition in Norway and an insurance receivable relating to the Oudna field.

Cash and cash equivalents as at 31 December 2007 amounted to MSEK 483.5 (MSEK 297.2).

Non-current liabilities

Provisions as at 31 December 2007 amounted to MSEK 5,493.6 (MSEK 4,481.5) and are detailed in Note 23-25. This amount includes a provision for site restoration of MSEK 700.8 (MSEK 624.7). The provision for deferred tax amounted to MSEK 4,760.0 (MSEK 3,832.6) and is mainly arising on the excess of book value over the tax value of oil and gas properties and the deferred tax gross up of the excess purchase price allocated to the Russian assets acquired in 2006.

Long term interest bearing debt amounted to MSEK 2,740.2 (MSEK 1,391.1) as at 31 December 2007 and are detailed in Note 26. On 26 October 2007 a new credit facility was entered into to repay the existing facility, to provide liquidity for the Company's operations and to enable the funding of potential new projects and acquisition opportunities. The financing facilities consist of a MUSD 850 revolving borrowing base and letter of credit facility and a MUSD 150 unsecured corporate facility. The facilities were fully underwritten by BNP Paribas and sub-underwriters Bank of Scotland and Royal Bank of Scotland. The cash drawings outstanding under the credit facility amounted to MUSD 418.0 as at 31 December 2007.

The long term interest bearing debt also includes the long-term portion of a bank loan drawn by a jointly controlled entity in Russia.

Current liabilities

Current liabilities as at 31 December 2007 amounted to MSEK 1,767.4 (MSEK 1,245.0) and are detailed in Notes 29-30. Overlift as at 31 December 2007 amounted to MSEK 151.3 (MSEK 18.0). The high overlifted position relates primarily to the United Kingdom, where sales are based upon forecast production which resulted in sales being recorded in December 2007 for the Thistle field when there was no actual production for the month, and Indonesia where liftings in December exceeded the cumulative entitlement for the period. Joint venture creditors amounted to MSEK 898.3 (MSEK 650.8) and mainly relate to the amounts payable for the development activities in progress in Norway and United Kingdom and ongoing operational costs. Short-term interest bearing debt amounted to MSEK 44.3 (MSEK 47.4) and relates to the current portion of a bank loan drawn by a jointly controlled entity in Russia. Tax payable amounted to MSEK 213.2 (MSEK 174.0).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm on 13 May 2008.

REMUNERATION TO MANAGEMENT

The proposed guidelines for remuneration to management for 2008 to be presented at the AGM held the 13 May 2008 were not available upon the printing of this report.

SHARE INFORMATION

For the AGM resolution on information on issuance of new share capital share see page 37, Share data.

DIVIDEND

The Directors propose that no dividend be paid for the year. For details of the dividend policy refer to the share information page, page 37–39.

PROPOSED DISPOSITION OF UNAPPROPRIATED EARNINGS

The Board of Directors propose that the unrestricted equity of the Parent Company of TSEK 7,013,263, including the profit for the year of TSEK 34,667 be brought forward.

CHANGES IN BOARD

At the AGM on 16 May 2007, Viveca Ax:son Johnson and Kai Hietarinta did not stand for re-election as members of the Board of Directors of Lundin Petroleum.

FINANCIAL STATEMENTS

The result of the Group's operations and financial position at the end of the financial year are shown in the following income statement, balance sheet, statement of cash flow, statement of changes in equity and related notes.

The Parent Company's income statement, balance sheet, statement of cash flow, statement of changes in equity and related notes can be found on pages 72–76.

INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

Expressed in TSEK	Note	2007	2006
Operating income			
Net sales of oil and gas	1	5,353,654	4,233,348
Other operating income	1	130,641	181,158
		5,484,295	4,414,506
Cost of sales			
Production costs	2	-2,266,911	-1,575,781
Depletion of oil and gas properties	3	-997,644	-776,735
Write off of oil and gas properties	4	-369,596	-123,469
Gross profit		**1,850,144**	1,938,521
Sale of assets		–	–
Other income		3,285	9,618
General, administration and depreciation expenses	5	-172,045	-116,818
Operating profit		**1,681,384**	1,831,321
Result from financial investments			
Financial income	6	266,556	96,395
Financial expenses	7	-137,429	-96,364
		129,127	31
Profit before tax		**1,810,511**	1,831,352
Corporation tax	8	-840,101	-1,012,071
Petroleum tax	8	-17,936	-24,846
		-858,037	-1,036,917
Net result		**952,474**	794,435
Net result attributable to:			
Shareholders of the parent company		956,953	803,005
Minority interest		-4,479	-8,570
Net result		**952,474**	794,435
Earnings per share – SEK [1]	33	3.04	2.86
Diluted earnings per share – SEK [1]	33	3.03	2.85

[1] Based on net result attributable to shareholders of the parent company.

BALANCE SHEET

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

Expressed in TSEK	Note	2007	2006
ASSETS			
Non current assets			
Oil and gas properties	9	16,776,124	14,407,846
Other tangible fixed assets	10	103,766	117,424
Goodwill	11	763,521	817,185
Shares in jointly controlled entities and associated companies	12	0	0
Other shares and participations	13	245,702	260,265
Long-term receivable		62,530	–
Deferred tax	8	844,067	488,024
Other financial assets	15-17	230,706	97,177
Total non current assets		**19,026,416**	16,187,921
Current assets			
Inventories	18	167,714	123,679
Trade receivables	19	598,545	621,273
Prepaid expenses and accrued income	20	53,004	54,471
Short-term loan receivable		44,254	–
Derivative instruments	14	–	4,199
Tax receivable		396,121	114,963
Other receivables	21	283,745	281,684
Cash and cash equivalents		483,452	297,221
Total current assets		**2,026,835**	1,497,490
TOTAL ASSETS		**21,053,251**	17,685,411
EQUITY AND LIABILITIES			
Equity			
Share capital		3,155	3,142
Additional paid in capital		6,285,613	6,220,567
Other reserves	22	-723,490	-439,856
Retained earnings		3,183,718	2,365,822
Net Profit		956,953	803,005
Shareholders equity		**9,705,949**	8,952,680
Minority interest		1,346,164	1,615,131
Total equity		**11,052,113**	10,567,811
Non-current liabilities			
Site restoration	23	700,763	624,675
Pension	24	9,478	10,127
Deferred tax	8	4,759,958	3,832,648
Other provisions	25	23,353	14,046
Bank loans	26	2,740,168	1,391,063
Total non-current liabilities		**8,233,720**	5,872,559
Current liabilities			
Trade payables		300,121	220,734
Tax liability	8	213,175	173,998
Accrued expenses and prepaid income	29	88,584	56,645
Short-term interest bearing debt	26	44,254	47,364
Other liabilities	30	1,121,284	746,300
Total current liabilities		**1,767,418**	1,245,041
TOTAL EQUITY AND LIABILITIES		**21,053,251**	17,685,411
Pledged assets	31	3,446,804	1,986,537
Contingent liabilities	32	150,720	161,313

STATEMENT OF CASH FLOW

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

Expressed in TSEK	Note	2007	2006
Cash flow from operations			
Net result		952,474	794,435
Adjustments to cash flow from operations	34-35	2,195,247	1,977,665
Interest received		29,751	25,401
Interest paid		-153,788	-473,864
Income taxes paid		-311,889	-2,336
Changes in working capital			
Increase/decrease in current assets		-450,347	-222,935
Decrease/increase in current liabilities		916,258	-15,970
Total cash flow from operations		**3,177,706**	2,075,396
Cash flow used for investments			
Investment in subsidiary assets	40	-67,760	40,971
Investment/divestment of real estate		–	-18,586
Change in other financial fixed assets		-6,170	-1,793
Other payments		622	-28,324
Investment in oil and gas properties		-4,260,612	-2,782,309
Investment in office equipment and other assets		-21,415	-19,399
Total cash flow used for investments		**-4,355,335**	-2,809,440
Cash flow from financing			
Changes in long-term receivables		-106,784	–
Changes in long-term bank loan		1,516,102	651,574
Paid in financing fees		-71,181	–
Proceeds from share issues		61,207	40,648
Purchase of own shares		-4,395	–
Dividend paid to minority		-765	-2,125
Total cash flow from financing		**1,394,184**	690,097
Change in cash and cash equivalents		216,555	-43,947
Cash and cash equivalents at the beginning of the year		297,221	389,415
Currency exchange difference in cash and cash equivalents		-30,324	-48,247
Cash and cash equivalents at the end of the year		**483,452**	297,221

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

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Total Equity comprises: Expressed in TSEK	Share capital [1]	Additional paid-in-capital	Other reserves [2]	Retained earnings	Net result	Minority interest	Total equity
Balance at 1 January 2006	**2,571**	**1,121,029**	**212,376**	**1,350,133**	**993,507**	**3,050**	**3,682,666**
Transfer of prior year net result	–	–	–	993,507	-993,507	–	–
Currency translation difference	–	–	-695,258	–	–	-88,997	-784,255
Change in fair value	–	–	-19,190	–	–	–	-19,190
Income and expenses recognised directly in equity	**–**	**–**	**-714,448**	–	**–**	**-88,997**	**-803,445**
Net result	–	–	–	–	803,005	-8,570	794,435
Total recognised income and expense for the period	**–**	**–**	**-714,448**	–	**803,005**	**-97,567**	**-9,010**
Transfer to income statement	–	–	62,216	–	–	–	62,216
Dividend	–	–	–	–	–	-2,125	-2,125
Acquired minority	–	–	–	–	–	1,714,036	1,714,036
Issuance of shares	571	5,094,354	–	–	–	–	5,094,925
Transfer of share based payments	–	5,184	–	-5,184	–	–	–
Share based payments	–	–	–	27,366	–	–	27,366
Investments	–	–	–	–	–	-2,263	-2,263
Balance at 31 December 2006	**3,142**	**6,220,567**	**-439,856**	**2,365,822**	**803,005**	**1,615,131**	**10,567,811**
Transfer of prior year net result	–	–	–	803,005	-803,005	–	–
Currency translation difference	–	–	-271,102	–	–	-96,580	-367,682
Change in fair value	–	–	-12,247	–	–	-167,143	-179,390
Income and expenses recognised directly in equity	**–**	**–**	**-283,349**	**–**	**–**	**-263,723**	**-547,072**
Net result	–	–	–	–	956,953	-4,479	952,474
Total recognised income and expense for the period	**–**	**–**	**-283,349**	**–**	**956,953**	**-268,202**	**405,402**
Transfer to income statement	–	–	-285	–	–	–	-285
Acquired minority	–	–	–	–	–	–	–
Issuance of shares	13	61,194	–	–	–	–	61,207
Purchase of own shares	–	-4,395					-4,395
Transfer of share based payments	–	8,247	–	-8,247	–	–	–
Share based payments	–	–	–	23,138	–	–	23,138
Minority share in dividend	–	–	–	–	–	-765	-765
Balance at 31 December 2007	**3,155**	**6,285,613**	**-723,490**	**3,183,718**	**956,953**	**1,346,164**	**11,052,113**

[1] Lundin Petroleum AB's registered share capital at 31 December 2007 amounts to SEK 3,154,186 represented by 315,418,580 shares with a quota value of SEK 0.01 each. In addition there are 132,000 shares that have been issued in exchange for incentive warrants that have been exercised but were not registered by 31 December 2007.

[2] Other reserves are described in detail in Note 22.

KEY FINANCIAL DATA

Data per share	2007	2006	2005	2004	2003*
Shareholders' equity SEK per share [1]	35.02	33.63	14.32	9.34	7.38
Operating cash flow SEK per share [2]	9.91	8.05	10.22	5.89	2.52
Cash flow from operations SEK per share [3]	9.97	7.35	9.89	4.59	0.98
Earnings SEK per share [4]	3.02	2.83	3.89	2.39	3.73
Earnings SEK per share fully diluted [5]	3.02	2.81	3.87	2.37	3.71
Dividend per share	–	–	–	–	–
Quoted price at the end of the financial year (regards the parent company), SEK	67.50	79.50	85.00	38.20	34.30
Number of shares at year end	315,550,580	314,215,080	257,140,166	253,748,366	251,525,466
Weighted average number of shares for the year [6]	315,020,401	280,867,805	255,685,730	252,727,926	249,401,389
Weighted average number of shares for the year (fully diluted) [6]	315,409,915	282,251,337	256,974,123	255,134,255	251,041,951

1 The Group's shareholders' equity divided by the number of shares at year end.

2 The Group's operating income less production costs and less current taxes divided by the weighted average number of shares for the year.

3 Cash flow from operations in accordance with the consolidated statement of cash flow divided by the weighted average number of shares for the year.

4 The Group's net result divided by the weighted average number of shares for the year.

5 The Group's net result divided by the weighted average number of shares for the year after considering the dilution effect of outstanding warrants.

6 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.

Key data group	2007	2006	2005	2004	2003*
Return on equity, % [7]	9	11	33	29	67
Return on capital employed, % [8]	14	22	49	32	50
Debt/equity ratio, % [9]	21	12	9	45	–
Equity ratio, % [10]	52	51	47	41	69
Share of risk capital, % [11]	71	81	70	60	78
Interest coverage ratio, % [12]	2,203	4,010	4,231	2,276	1,559
Operating cash flow/interest ratio [13]	3,631	4,848	5,833	3,862	1,011
Yield [14]	–	–	–	–	–

7 The Group's net result divided by the Group's average total equity.

8 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).

9 The Group's interest bearing liabilities in relation to shareholders' equity.

10 The Group's total equity in relation to balance sheet total.

11 The sum of the total equity and the deferred tax provision divided by the balance sheet total.

12 The Group's result after financial items plus interest expenses plus/less exchange differences on financial loans divided by interest expenses.

13 The Group's operating income less production costs and less current taxes divided by the interest charge for the year.

14 Dividend in relation to quoted share price at the end of the financial year.

* The financial statements for the years 2007, 2006, 2005 and 2004 have been prepared in accordance with International Financial Reporting Standards (IFRS) (see page 54–58). In June 2002 the European Union (EU) adopted International Financing Reporting Standards (IFRS) for all companies listed on a stock exchange within the EU with effect from 1 January 2005, the adoption date. Lundin Petroleum has prepared the financial statements from 2005 and onwards in 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. The financial statements for the year 2003 have been prepared under Swedish GAAP and are not in conformity with years 2007, 2006, 2005 and 2004.

ACCOUNTING PRINCIPLES

Introduction

Lundin Petroleum's Annual Report for 2007, as well as the Annual Report for 2006, has been prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements of the group have been prepared in accordance with prevailing IFRS standards and International Financial Reporting Standards Committee (IFRIC) interpretations adopted by the EU Commission at the end of December 2007 and the Annual Accounts Act (1995:1554) and the recommendations RR30:06 issued by the Swedish Financial Accounting Standard Council.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed under the headline "Critical accounting estimates and judgements".

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of held for sale financial assets.

Accounting standards, amendments and interpretations effective in 2007:

I*FRS 7 "Financial Instruments: Disclosures"*, and the complementary amendment to *IAS 1, "Presentation of financial statements – Capital disclosures"*. These standards deal with the disclosure requirements in relation to all risks arising from financial instruments and applies to any entity that holds financial instruments. They do not have any impact on the classification and valuation of the groups financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8 "Scope of IFRS 2": IFRIC 8 requires consideration of transaction involving the issuance of equity instruments - where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall under IFRS 2. The standard does not have any impact on the Groups accounts.

IFRIC 10 "Interim Financial Reporting and Impairment": IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investment in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet data. The standard does not have any impact on the Groups accounts.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the sole right to exercise control over the operations and govern the financial policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the Group's control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consolidated financial statements of the Lundin Petroleum Group have been prepared using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

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 as a separate item within equity for the Group.

All intercompany profits, transactions and balances are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Jointly controlled entities

As stated above a subsidiary that is controlled by the Group will be fully consolidated within the results of Lundin Petroleum. Joint control exists when the Group does not have the control to determine the strategic operating, investing and financing policies of a partially owned entity without the co-operation of others. When this is the case the entity should be proportionally consolidated in accordance with the IFRS definition of joint control in an entity.

For companies held over which Lundin Petroleum does not have full control, proportional consolidation has been used.

Associated companies

An investment in an associated company is an investment in an undertaking where the Group exercises significant influence but not control, generally accompanying a shareholding of at least 20% but not more than 50% of the voting rights. 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 net fair value of the assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The Group's share in the post-acquisition results of the associated company is recognised in the income statement and the Group's share in post-acquisition movements in the equity of the associated company are recognised directly in the Group's equity. When the Group's accumulated share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Other shares and participations

Investments where the shareholding is less than 20% of the voting rights are treated as available for sale financial assets. If the value decline is significant and has lasted for a longer period, the value impairment is recognised in the income statement. If the event causing the impairment no longer exists, impairment can be reversed in the income statement if it does not involve an equity instrument. Dividend received attributable to these assets is recognised in the income statement as part of net financial items.

Jointly controlled entities - unincorporated

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

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in SEK, which currency the Group has elected to use as the presentation currency.

Functional currency

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

Presentation currency

The balance sheets and income statements of foreign subsidiary companies are translated for consolidation 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 the foreign currency translation reserve within shareholders' equity. On a disposal of a foreign operation the translation differences relating to that operation will be transferred from equity to the income statement and included in the result on sale. Translation differences on long term intercompany loans, used for financing exploration activities, are taken directly to shareholders' equity.

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

	Average	Period end
1 EUR equals SEK	9.2521	9.4415
1 USD equals SEK	6.7504	6.4136

Classification of assets and liabilities

Non-current assets, long-term liabilities and provisions consist for the most part solely of amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities consist solely of amounts that are expected to be recovered or paid within twelve months after the balance sheet date.

General

Assets and liabilities are recognised initially at fair value and subsequently measured at amortised cost unless stated otherwise. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Goodwill

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units from which the benefits of the business combination originates. Cash-generating units to which goodwill has been allocated are tested for impairment annually at least. If the fair value of the asset is less than the carrying value the impairment loss is allocated first to reduce the goodwill on the unit and thereafter to the other assets of the unit. Impairment losses on goodwill are not reversed.

On disposal of a subsidiary or a jointly controlled entity the amount of goodwill is included in the profit or loss on disposal.

Oil and gas properties

Oil and gas operations are recorded at historical cost less depletion. All costs for acquiring concessions, licences or interests in production sharing contracts and for the survey, drilling and development of such interests are capitalised on a field area cost centre basis.

Costs directly associated with an exploration well are capitalised until the determination of reserves is evaluated. During this phase no depletion is charged. Upon the completion of the development and the start of the production the field will be accounted for as a producing asset. If it is determined that a commercial discovery has not been achieved these costs are charged to the income statement.

Net capitalised costs to reporting date, together with anticipated future capital costs for the development of the proved and probable reserves determined at the balance sheet date price levels, are depleted based on the year's production in relation to estimated total proved and probable reserves of oil and gas in accordance with the unit of production method. Depletion of a field area is charged to the income statement once production commences.

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 probabilistic 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 probabilistic 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 in the exploration stage are offset against the related capitalised costs of each cost centre with any excess of net proceeds over all costs capitalised included in the income statement. In the event of a sale in the exploration stage any deficit is included in the income statement. A gain or loss is recognised on the sale or farm-out of producing field when the depletion rate is changed by more than 20 percent.

Impairment tests are carried out at least annually to determine that the net book value of capitalised cost within each field area 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 the related field areas. Capitalised costs can not be carried within a field cost pool unless those costs can be supported by future cash flows from that field. Provision is made for any impairment, where the net book value, 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 or fair value less costs to sell. If there is no decision to continue with a field specific exploration programme, the costs will be expensed at the time the decision is made.

Other tangible fixed assets
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.

The carrying amount is written down immediately to its recoverable amount when the carrying amount is higher. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Non-current assets held for sale
To classify as non-current asset held-for-sale the carrying amount needs to be assumed to be recovered through a sale transaction rather than through continuing use. It also must be available for immediate sale in its present condition and sale must be highly probable. If classified as non-current held-for-sale the assets will be valued at the lower of its carrying value and fair value less estimated cost of sale.

Impairment of assets excluding goodwill and oil and gas properties
At each balance sheet date the Group reviews the carrying amounts of its tangible assets to determine whether there is an indication that the recoverable amount is less than the carrying amount. If so the recoverable amount of the asset is estimated in order to determine whether an impairment loss needs to be recorded.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is calculated by discounting estimated future cash flows to their present value. If the recoverable amount is estimated to be less than its carrying amount the carrying amount is reduced to its recoverable amount and an impairment loss is recognised either in profit or loss or in the equity statement. When an impairment loss is reversed the carrying amount of the asset is increased to the estimated recoverable amount but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Financial instruments
Lundin Petroleum recognises the following financial instruments:

- Loans and receivables are valued at the amounts they are expected to be realised. Translation differences are reported in the income statement except for the translation differences on long term intercompany loans, used for financing exploration activities, which are taken directly in shareholders' equity.

- Other shares and participations (available for sale financial assets) are valued at fair value and any change in fair value is recorded directly in shareholders' equity until realised. Where the other shares and participations do not have a quoted market price in an active market and whose fair value cannot be measured reliably, they are accounted for at cost less impairment if applicable.

- Derivative instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

The Group categorises derivatives as follows:

1. Fair value hedge
   Changes in the fair value of derivatives that qualify as fair value hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability.
2. Cash flow hedge
   The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges are recognised in shareholders´ equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in shareholders´ equity are transferred to the income statement in the period when the hedged item will affect the income statement. When a hedging instrument no longer meets the requirements for hedge accounting, expires or is sold, any accumulated gain or loss recognised in shareholders´ equity is transferred to the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gain or loss reported in equity is immediately transferred to the income statement.
3. Net investment hedge
   Hedges of net investments in foreign operations are accounted for in a similar manner as cash flow hedges. The gain or loss accumulated in shareholders´ equity is transferred to the income statement at the time the foreign operation is disposed of.
4. Derivatives that do not qualify for hedge accounting
   When derivatives do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement.

Restricted cash
Restricted cash represents cash amounts that have a conditional restriction on their withdrawal and are shown as a financial fixed asset in the balance sheet.

Inventories
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 (FIFO) 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. An underlift of production from a field is included in the current receivables and valued at the reporting date spot price or prevailing contract price and an overlift of production from a field is included in the current liabilities and valued at the reporting date spot price or prevailing contract price.

Cash and cash equivalents
Cash and cash equivalents includes cash at bank, cash in hand and highly liquid interest bearing securities with original maturities of three months or less.

Equity
Share capital consists of the registered share capital for the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. Excess contribution in relation to the issuance of shares is accounted for in the item Additional paid-in-capital.

The change in fair value of shares and participations is accounted for in the fair value reserve. Upon the crystallisation of a change in value, the change in fair value recorded will be transferred to the income statement. The change in fair value of hedging instruments is accounted for in the hedge reserve. Upon settlement of the hedge instrument, the change in fair value is transferred to the income statement. The currency translation reserve contains unrealised translation differences due to the conversion of the functional currencies into the presentation currency.

Retained earnings contain the accumulated results attributable to the shareholders of the parent company.

Provisions

A provision is reported when the company has a formal or informal obligation as a consequence of an event and when it is more likely than not that an outflow of resources is required to settle the obligation and a reliable estimate can be made of the amount.

On fields where the Group is required to contribute to site restoration costs, a provision is created to recognise the future liability. 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. Changes in site restoration costs and reserves are treated prospectively.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period where appropriate.

Revenue

Revenues from the sale of oil and gas are recognised in the income statement net of royalties taken in kind. Sales of oil and gas 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.

Service income, generated by providing technical and management services to joint ventures, is recognised as other income.

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending to be used for the qualifying asset is deducted from the borrowing costs eligible for capitalisation. This applies on the interest on borrowings to finance fields under development which is capitalised within oil and gas properties until production commences. All other borrowing costs are recognised in profit or loss in the period in which they occur. Interest on borrowings to finance the acquisition of producing oil and gas properties is charged to income as incurred.

Leases

For a lease to qualify as a finance lease, substantially all of the risks and benefits of ownership must pass to the lessee. In all other cases the lease will be classified as an operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Employee benefits

Short term employee benefits

Short-term employee benefits such as salaries, social premiums and holiday pay, are expensed when incurred.

Pension obligations

Pensions are the most common long-term employee benefit. The pension schemes are funded through payments to insurance companies. The Group's pension obligations consist mainly of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when they are due.

The Group has one obligation under a defined benefit plan. The relating liability recognised in the balance sheet is valued at the discounted estimated future cash outflows as calculated by an external actuarial expert. Actuarial gains and losses are charged to the income statement. The Group does not have any designated plan assets.

Share-based payments

Lundin Petroleum recognises equity-settled share-based payments in the income statement as expenses and as an equity reserve in relation to the incentive warrants programme. The equity reserve in relation to incentive warrants programmes is valued at fair value at grant date of the options using the Black & Scholes option pricing method. The fair value of the incentive warrant programme is charged to personnel costs over the vesting period. The fair value of the equity reserve under the incentive warrant programme is remeasured at each reporting date recognising changes that affect the number of options expected to vest. The impact of the revision to original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity.

Income taxes

The main components of tax are current and deferred. Current tax is tax that is to be paid or received for the year in question and also includes adjustments of current tax attributable to previous periods.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Lundin Petroleum divides the tax accounts between corporation tax and petroleum tax. Petroleum Revenue Tax (PRT) is classified as Petroleum tax and charged as a tax expense on taxable field profits included in the income statement.

Segment reporting

The primary basis the Group uses for segmental reporting is at a country level due to the unique nature of each country's 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.

Related party transactions

Lundin Petroleum recognises the following related parties: associated companies, jointly controlled entities, members or the family of the key management personnel or other parties that are partly, direct or indirect, controlled by key management personnel or of its family or of any individual that controls, or has joint control or significant influence over the entity

Critical accounting estimates and judgements

The management of Lundin Petroleum has to make estimates and judgements when preparing the Financial Statements of the Group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Group's result. The most important estimates and judgements in relation thereto are:

Estimates in oil and gas reserves

The business of the Group is the exploration for, development of and production of oil and gas reserves. Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and site restoration. Changes in estimates in oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method.

Site restoration provision

Amounts used in recording a provision for site restoration are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to the site decommissioning and restoration can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of site restoration provisions are reviewed on a regular basis.

The effects of changes in estimates 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 judgment, actual results could differ from these estimates.

Estimates in impairment of goodwill

Determination of whether goodwill has suffered any impairment requires an estimation of the value in use of the cash- generating units to which goodwill has been allocated. The present value calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Events after the balance sheet date

All events up to the date when the financial statements were authorised for issue and which have a material effect in the financial statements have been disclosed.

Coming IFRS accounting principles

The following new standards, amendments and interpretations to existing standards have been approved by the EU but are not yet effective:

IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amended) from 1 January 2009.

IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

IFRIC 11, "IFRS 2 – Group and treasury share transactions" (effective from annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements.

IFRIC 14, *"IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008).* IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the group's accounts.

Standards, amendments and interpretations effective in 2007 but not relevant for the Group

IFRS 4, "Insurance contracts"

IFRIC 7, "Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies"

IFRIC 9, "Re-assessment of embedded derivatives".

NOTE 1 – SEGMENTAL INFORMATION (TSEK)

	2007	2006
Operating income		
Net sales of:		
Crude oil		
- United Kingdom	2,440,631	2,670,527
- France	651,961	634,301
- Norway	112,668	141,812
- Indonesia	295,493	272,333
- Russia	637,454	203,604
- Tunisia	923,214	180,912
	5,061,421	4,103,489
Condensate		
- United Kingdom	22,306	40,160
- Netherlands	7,920	6,328
- Indonesia	1,402	901
	31,628	47,389
Gas		
- Norway	417	442
- Netherlands	259,014	269,337
- Indonesia	1,174	820
	260,605	270,599
Service fee		
- Venezuela	–	23,478
Oil price hedging settlement	–	-211,607
	5,353,654	4,233,348
Other income:		
- United Kingdom	78,873	125,944
- France	12,156	11,974
- Norway	16,721	14,369
- Netherlands	8,208	10,375
- Russia	219	113
- Indonesia	8,842	2,074
- Other	5,622	16,309
	130,641	181,158
Total operating income	**5,484,295**	4,414,506
Operating profit contribution		
- United Kingdom	684,744	1,268,597
- France	421,824	385,285
- Norway	-19,823	72,682
- Netherlands	122,860	140,348
- Russia	94,435	106,094
- Indonesia	31,113	-21,875
- Tunisia	524,796	89,115
- Other	-178,565	-208,925
Total operating profit contribution	**1,681,384**	1,831,321

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

	2007 SEK	2007 USD	2006 SEK	2006 USD
Average crude sales price, per barrel or boe				
- United Kingdom	485.41	71.91	469.85	63.76
- France	497.34	73.68	461.45	62.62
- Norway	450.99	66.81	445.23	60.42
- Netherlands	325.00	48.15	359.53	48.79
- Indonesia	472.78	70.04	432.19	58.65
- Russia	315.90	46.80	258.14	35.03
- Tunisia	467.48	69.25	455.33	61.79
Consolidated	**443.18**	**65.65**	439.93	59.70
Average depletion cost, per barrel or boe				
- United Kingdom	87.35	12.94	70.23	9.53
- France	47.52	7.04	48.78	6.62
- Norway	87.69	12.99	82.24	11.16
- Netherlands	86.54	12.82	78.77	10.69
- Indonesia	36.99	5.48	27.56	3.74
- Russia	33.21	4.92	46.50	6.31
- Tunisia	131.50	19.48	155.12	21.05
- Venezuela	–	–	418.93	56.85
Consolidated	**78.78**	**11.67**	71.70	9.73

	Assets		Equity and Liabilities	
	2007 TSEK	2006 TSEK	2007 TSEK	2006 TSEK
United Kingdom	3,498,400	3,006,085	3,174,013	2,421,587
France	1,570,167	1,064,759	603,894	445,729
Norway	5,150,028	2,484,825	3,784,763	1,626,495
Netherlands	924,130	707,792	228,900	360,115
Russia	8,438,466	8,557,655	1,666,975	1,847,690
Indonesia	306,077	546,958	201,887	219,830
Tunisia	429,208	816,105	176,419	123,934
Sudan	242,326	99,941	73,327	4,182
Congo (Brazzaville)	97,639	74,443	13,726	24,393
Ethiopia	62,162	3,168	13,471	419
Vietnam	49,277	1,936	9,029	–
Venezuela	127,095	143,134	4,894	4,021
Other	158,276	178,610	49,840	39,205
Assets/Liabilities per country	**21,053,251**	17,685,411	**10,001,138**	7,117,600
Shareholders' equity	N/A	N/A	9,705,949	8,952,680
Minority interest	N/A	N/A	1,346,164	1,615,131
Total equity for the group	**N/A**	N/A	**11,052,113**	10,567,811
Group total	**21,053,251**	17,685,411	**21,053,251**	17,685,411

See also Note 9 for detailed information of the oil and gas properties per country.

NOTE 2 – PRODUCTION COSTS (TSEK)

Production costs comprise:	2007	2006
Cost of operations	1,562,941	1,358,254
Tariff and transportation expenses	195,728	149,665
Direct production taxes	385,052	155,197
Change in lifting position	140,799	-103,669
Inventory movement – hydrocarbons	-20,517	16,334
Inventory movement – well supplies	2,908	–
	2,266,911	1,575,781

NOTE 3 – DEPLETION OF OIL AND GAS PROPERTIES (TSEK)

Depletion of oil and gas properties per country:	2007	2006
United Kingdom	435,820	427,516
France	60,325	66,420
Norway	21,738	25,993
Netherlands	71,081	60,402
Indonesia	35,147	24,944
Russia	68,487	37,555
Tunisia	305,046	66,568
Venezuela	–	67,337
	997,644	776,735

NOTE 4 – WRITE-OFF OF OIL AND GAS PROPERTIES (TSEK)

Oil and gas properties written off were as follows:	2007	2006
United Kingdom	172,372	–
Indonesia	80,730	26,425
Norway	59,253	–
Albania	31,214	–
Singapore	8,651	–
Ireland	–	44,219
France	–	19,635
Netherlands	–	15,111
Nigeria	–	7,646
Other – project appraisal	17,376	10,433
	369,596	123,469

During the year exploration and appraisal project costs are capitalised as they are incurred and then reviewed on a regular basis to assess their future recoverability. When a decision is made not to proceed with a project the relevant costs are expensed.

The oil and gas properties written off during 2007 include the Duressi Block in Albania, the Banyumas Block and the Tengis-1 well on the Blora Block in Indonesia and the wells Banchory, 7/7-4, 14/28a-5 and 41/10a-2z and block 9/10c in the United Kingdom. Other write downs are new venture projects.

NOTE 5 – REMUNERATION TO THE GROUP'S AUDITORS (TSEK)

Remuneration to the Group's auditors for	2007	2006
Audit fees		
- PricewaterhouseCoopers	5,399	5,028
- Other	480	302
	5,879	5,330
Other		
- PricewaterhouseCoopers	539	1,511
- Other	40	582
	579	2,093
Total	**6,458**	7,423

NOTE 6 – FINANCIAL INCOME (TSEK)

Financial income comprise:	2007	2006
Interest income	37,708	31,572
Dividends received	22,499	12,028
Foreign exchange gain, net	190,954	28,560
Gain on currency rate hedge	–	17,656
Fair value adjustment on pension	–	1,679
Repayment on loan	15,395	4,900
	266,556	96,395

NOTE 7 – FINANCIAL EXPENSES (TSEK)

Financial expenses comprise:	2007	2006
Loan interest expenses	86,104	41,803
Change in market value of interest rate hedge	-11	691
Unwind site restoration discount	35,387	24,123
Amortisation of deferred financing fees	7,654	18,633
Other financial expenses	8,295	11,114
	137,429	96,364

NOTE 8 – TAXES (TSEK)

Tax charge	Corporation tax		Petroleum tax	
The tax charge comprises:	2007	2006	2007	2006
Current				
- United Kingdom	9,659	463,983	–	–
- France	126,085	105,657	–	–
- Norway	-366,084	-79,814	–	–
- Netherlands	42,997	27,744	–	32,674
- Indonesia	35,396	3,810	–	–
- Russia	28,353	5,814	–	–
- Tunisia	207,267	–	–	–
- Venezuela	5,998	6,286	–	–
- Switzerland	1,652	1,555	–	–
	91,323	535,035	**–**	32,674
Deferred				
- United Kingdom	264,556	344,195	17,936	-4,405
- France	28,048	70,280	–	–
- Norway	417,618	-7,442	–	–
- Netherlands	-90,970	105,397	–	-3,423
- Indonesia	12,389	25,657	–	–
- Russia	8,599	-5,998	–	–
- Tunisia	50,881	-65,357	–	–
- Venezuela	–	125	–	–
- Congo (Brazzaville)	4,696	8,952	–	–
- Kenya	747	–	–	–
- Vietnam	9,503	–	–	–
- Ethiopia	9,604	–	–	–
- Singapore	4,629	–	–	–
- Albania	-7,594	–	–	–
- Sudan	36,072	1,227	–	–
	748,778	477,036	**17,936**	-7,828
Total tax	**840,101**	1,012,071	**17,936**	24,846

The total tax charge amounts to TSEK 858,037 (TSEK 1,036,917).

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:

	2007	2006
Profit before tax	1,810,511	1,831,352
Tax calculated at the corporate tax rate in Sweden (28%)	-506,943	-512,779
Effect of foreign tax rates	-389,270	-363,437
Tax effect of expenses non-deductible for tax purposes	-69,819	-98,821
Tax effect of deduction for petroleum tax	-14,883	65,387
Tax effect of income not subject to tax	49 953	1,214
Tax effect of utilisation of unrecorded tax losses	39 028	65,086
Tax effect of creation of unrecorded tax losses	-36,354	–
Adjustments to prior year deferred taxes	61,457	-22,049
Adjustments to prior year tax assessments	8,794	-146,672
	-858,037	-1,012,071

The adjustments to prior year tax assessments in 2006 relates to the United Kingdom. At the time it was announced that the tax rate in the United Kingdom would be increased, it was also announced that the tax deduction for capital expenditure incurred in 2005 could be deferred until 2006 when it would benefit from a deduction against the higher rate of tax. Lundin Petroleum elected in 2006 to exercise this option which resulted in a lower current tax charge in 2006 of MSEK 65.2. The income statement for 2006 was affected by a one off, non-cash charge of MSEK 216.2 for the restatement in 2006 of the opening deferred tax balances relating to the United Kingdom assets.

Tax liability - current and deferred	Current tax liability		Deferred tax liability	
	2007	2006	2007	2006
Corporation tax				
- United Kingdom	58,106	74,843	1,545,002	1,076,374
- France	41,939	92,374	196,449	202,740
- Norway	5,657	–	1,535,120	698,329
- Netherlands	5,631	1,194	109,304	119,038
- Indonesia	21,678	4,386	106,601	60,571
- Russia	5,112	1,201	1,448,867	1,576,169
- Tunisia	71,685	–	7,798	68,932
- Venezuela	3,367	–	–	–
- Congo (Brazzaville)	–	–	12,253	8,340
- Sudan	–	–	38,004	1,139
- Kenya	–	–	710	–
- Vietnam	–	–	9,029	–
- Ethiopia	–	–	9,517	–
- Singapore	–	–	4,398	–
- Albania	–	–	–	7,722
Total corporation tax liability	**213,175**	173,998	**5,023,052**	3,819,354
Petroleum tax				
- United Kingdom	–	–	-263,094	7,949
- Netherlands	–	–	–	5,345
Total petroleum tax liability	–	–	-263,094	13,294
Total tax liability	**213,175**	173,998	**4,759,958**	3,832,648

The wholly owned French companies have been 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.

During 2005 the Swedish taxation authority (Skatteverket) conducted a tax audit of Lundin Petroleum AB for the financial years 2002 to 2003. The tax authorities have disallowed a portion of expenses recharged to Lundin Petroleum AB by Lundin Petroleum SA for costs associated with services performed by the management of the Lundin Petroleum Group. As Lundin Petroleum AB is in a tax loss position, this disallowance of the expenses reduces the tax losses carried forward but does not result in a current tax charge. The tax losses incurred have not been recorded as deferred tax assets due to the uncertainty as to the timing of their utilisation. The tax authorities have charged penalties on the value of the taxable effect of the disallowed costs amounting to TSEK 5,038.1. The company is challenging the assessment of the penalties and the disallowance of the management costs as the company believes that they are a valid charge to the Parent Company of the Lundin Petroleum Group and as such, Lundin Petroleum has not made a provision in the accounts for the penalties charged.

Specification of deferred tax assets and tax liabilities	2007	2006
Deferred tax assets		
Unused tax loss carry forwards	1,060,912	394,971
Site restoration provision	–	42,194
Overlift	–	76
Deferred tax on excess values	17,038	–
Uplift	802	2,505
Other deductible temporary differences	28,409	48,278
	1,107,161	488,024
Deferred tax liabilities		
Accelerated allowances	3,396,144	2,212,468
Fair value of derivative instruments	–	633
Exchange gains and losses	184,278	42,206
Capitalised acquisition cost	6,555	6,276
Deferred tax on excess values	1,429,217	1,566,076
Other taxable temporary differences	6,858	4,989
	5,023,052	3,832,648

The deferred tax asset is primarily relating to losses carried forwards in Norway for an amount of TSEK 718,826 (TSEK 298,732) and United Kingdom for an amount of TSEK 263,094 (TSEK -). Deferred tax assets in relation to tax losses carried forward are only recognised in so far that there is a reasonable certainty as to the timing and the extent of their realisation.

The deferred tax liability arises mainly on the excess of book value over the tax value of oil and gas properties and tax on the excess value of the acquired assets in Russia.

Unrecognised tax losses

The Group has Swedish and Dutch tax loss carry forwards, including tax losses in the current financial year, of MSEK 566,2 which in part are not yet assessed. The tax losses can be utilised indefinitely. A deferred tax asset relating to the tax losses carry forward has not been recognised as at 31 December 2007 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 9 – OIL AND GAS PROPERTIES (TSEK)

	2007	2006
Production cost pools	5,558,578	6,185,018
Non-production cost pools	11,217,546	8,222,828
	16,776,124	14,407,846

2007 production cost pools	UK	France	Norway	Netherlands	Indonesia	Russia	Tunisia	Total
Cost								
1 January	3,525,733	1,161,898	238,031	746,419	333,005	1,469,081	664,656	8,138,823
Acquired on acquisition	–	82,550	–	–	–	-806,250	–	-723,700
Additions	777,445	120,249	1,043	49,619	67,090	221,648	16,196	1,253,290
Disinvestments	–	–	–	-764	–	–	532	-232
Change in estimates	–	4,727	–	–	–	1,710	-4,267	2,170
Reclassifications	–	17,854	–	911	–	717	-402	19,080
Currency translation difference	-279,316	55,289	19,266	30,607	-30,737	-36,219	-37,430	-278,540
31 December	4,023,862	1,442,567	258,340	826,792	369,358	850,687	639,285	8,410,891
Depletion								
1 January	-1,030,780	-296,839	-65,931	-311,622	-91,814	-35,317	-121,502	-1,953,805
Depletion charge for the year	-435,820	-60,325	-21,738	-71,081	-35,147	-68,487	-305,046	-997,644
Write-offs	-163	–	–	-150	–	-35	–	-348
Reclassifications	–	-5,489	–	–	–	-108	–	-5,597
Currency translation difference	98,027	-13,134	-5,958	-11,727	16,047	4,985	16,841	105,081
31 December	-1,368,736	-375,787	-93,627	-394,580	-110,914	-98,962	-409,707	-2,852,313
Net book value	**2,655,126**	**1,066,780**	**164,713**	**432,212**	**258,444**	**751,725**	**229,578**	**5,558,578**

2006 production cost pools	UK	France	Norway	Netherlands	Indonesia	Russia	Tunisia	Venezuela	Total
Cost									
1 January	3,275,102	1,065,171	179,096	716,399	266,957	–	79,678	318,874	5,901,277
Acquired on acquisition	–	–	–	–	–	1,441,204	–	–	1,441,204
Additions	557,509	123,612	59,070	27,781	108,276	107,598	490,299	-2,432	1,471,713
Disinvestments	–	–	–	–	–	-524		-272,774	-273,298
Change in estimates	194,851	15,261	15,229	28,916	–	–	66,068	–	320,325
Reclassifications	–	–	–	–	–	–	79,298	–	79,298
Currency translation difference	-501,729	-42,146	-15,364	-26,677	-42,228	-79,197	-50,687	-43,668	-801,696
31 December	3,525,733	1,161,898	238,031	746,419	333,005	1,469,081	664,656	–	8,138,823
Depletion									
1 January	-733,349	-220,433	-44,063	-245,769	-77,324		-59,892	-99,691	-1,480,521
Depletion charge for the year	-427,516	-66,420	-25,993	-60,402	-24,944	-37,555	-66,568	-67,337	-776,735
Write-offs	–	-19,635	–	-15,111	–	–	–	–	-34,746
Disinvestments	–	–	–	–	–	–	–	148,713	148,713
Currency translation difference	130,085	9,649	4,125	9,660	10,454	2,238	4,958	18,315	189,484
31 December	-1,030,780	-296,839	-65,931	-311,622	-91,814	-35,317	-121,502	–	-1,953,805
Net book value	**2,494,953**	**865,059**	**172,100**	**434,797**	**241,191**	**1,433,764**	**543,154**	**–**	**6,185,018**

2007 non-production cost pools	1 January	Acquired on acquisition	Additions	Write-offs	Changes in estimate	Reclassification	Currency translation difference	31 December
Norway	1,808,243	–	1,656,507	-59,253	38,203	–	194,824	3,638,524
United Kingdom	94,592	–	619,519	-172,209	–	–	-28,118	513,784
Indonesia	33,284	–	95,103	-80,730	–	252	-4,465	43,444
Russia	6,090,873	586,872	301,768	-845	–	–	-424,009	6,554,659
Tunisia	–	–	347	–	–	400	-44	703
Albania	30,283	–	1,433	-31,214	–	–	-502	–
Nigeria	–	–	-362	362	–	–	–	–
Ireland	–	–	2,093	513	–	–	53	2,659
Sudan	75,240	–	141,438	–	–	–	6,289	222,967
Congo (Brazzaville)	74,233	–	28,543	–	–	–	-6,299	96,477
Kenya	–	–	8,835	–	–	–	-441	8,394
Cambodia	–	–	477	–	–	–	-23	454
Ethiopia	1,645	–	56,534	–	–	–	-2,928	55,251
Singapore	547	–	26,264	-8,651	–	–	-915	17,245
Vietnam	1,795	–	47,394	–	–	–	-2,482	46,707
Other	12,093	–	21,430	-17,221	–	-614	590	16,278
Net book value	**8,222,828**	**586,872**	**3,007,323**	**-369,248**	**38,203**	**38**	**-268,470**	**11,217,546**

2006 non-production cost pools	1 January	Acquired on acquisition	Additions	Write-offs	Changes in estimate	Reclassification	Currency translation difference	31 December
Norway	1,102,547	–	816,529	–	–	–	-110,833	1,808,243
United Kingdom	18,401	–	84,508	–	–	–	-8,317	94,592
Indonesia	42,814	–	22,832	-26,425	–	–	-5,937	33,284
Russia	–	6,242,293	183,150	–	–	–	-334,570	6,090,873
Tunisia	79,298	–	462	-462	–	-79,298	–	–
Albania	30,269	–	4,482	–	–	–	-4,468	30,283
Nigeria	–	–	7,646	-7,646	–	–	–	–
Ireland	2,622	–	41,635	-44,219	–	–	-38	–
Sudan	28,757	–	50,587	-171	–	–	-3,933	75,240
Congo (Brazzaville)	798	–	78,951	–	–	–	-5,516	74,233
Ethiopia	–	–	1,645	–	–	–	–	1,645
Singapore	–	–	547	–	–	–	–	547
Vietnam	–	–	1,795	–	–	–	–	1,795
Other	6,609	–	15,827	-9,800	–	–	-543	12,093
Net book value	**1,312,115**	**6,242,293**	**1,310,596**	**-88,723**	**–**	**-79,298**	**-474,155**	**8,222,828**

In 2006 the reclassification from Non-Production cost pools to Production cost pools related to the production start on the Oudna field.

Acquired on acquisition includes the values assigned to the oil and gas properties acquired through the purchase of the shares in Valkyries the 31 July 2006.

Capitalised interest

The capitalised interest costs included within the costs of oil and gas properties amounts to MSEK 76.7 (MSEK 45.8) and relates to oil and gas assets in Norway.

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 present commitments is estimated to be no more than MSEK 1,390.4 of which third parties who are joint venture partners have contractually agreed to contribute approximately MSEK 571.4.

Venezuela

On 1 February 2008, following the receipt of Venezuelan Ministry of Energy and Petroleum approval, Lundin Petroleum completed the sale of its wholly owned subsidiary, Lundin Latina de Petróleos, S.A. to PetroFalcon Corporation ("PetroFalcon") and the acquisition of shares and warrants in PetroFalcon through a private placement. As a result of these transactions, Lundin Petroleum has become the largest shareholder in PetroFalcon with a shareholding of approximately 64 million shares of PetroFalcon, representing 42 percent of the issued and outstanding common shares of PetroFalcon. Lundin Petroleum has also acquired warrants of PetroFalcon, which may be exercised at any time during the two year period following issuance to acquire up to 5,000,000 shares of PetroFalcon at an exercise price of CDN 1.20 per share. PetroFalcon Corporation is a natural resource company with oil and gas operations in Venezuela. PetroFalcon is listed on the Toronto Stock Exchange (ticker symbol "PFC") and has existing proven and probable reserves before royalties of 36 million barrels of oil equivalent (MMboe) as of 1 January 2007.

NOTE 10 - OTHER TANGIBLE ASSETS (TSEK)

	2007			2006		
Other tangible fixed assets: Real estate	Real estate	Office equipment and other assets	Total	Assets under construction/ Real estate	Office equipment and other assets	Total
Cost						
1 January	71,259	83,896	155,155	56,007	63,467	119,474
Acquired on acquisition	–	–	–	5,838	6,274	12,112
Additions	-1,481	21,415	19,934	18,586	19,399	37,985
Write-off	-12	-4,599	-4,611	–	2,587	2,587
Reclassification		-19,051	-19,051	–	–	–
Currency translation difference	-4,117	-3,802	-7,919	-9,172	-7,831	-17,003
31 December	65,649	77,859	143,508	71,259	83,896	155,155
Depreciation						
1 January	-716	-37,015	-37,731	–	-25,338	-25,338
Depreciation charge for the year	-1,902	-13,223	-15,125	-765	-12,701	-13,466
Write-off	–	–	–	–	-2,587	-2,587
Disposal	–	4,588	4,588	–	–	–
Reclassification	–	5,530	5,530	–	–	–
Currency translation difference	3	2,993	2,996	49	3,611	3,660
31 December	-2,615	-37,127	-39,742	-716	-37,015	-37,731
Net book value	**63,034**	**40,732**	**103,766**	70,543	46,881	117,424

Depreciation charge for the year reflects depreciation according to plan which is based on cost and an estimated useful 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 Valkyries during 2006.

NOTE 11 - GOODWILL

The book amount for goodwill recorded at 31 December 2007 is in relation to the acquisition of Valkyries per 31 July 2006.

Goodwill comprises:	2007	2006
1 January	817,185	–
Acquired on acquisition	–	862,137
Currency translation difference	-53,664	-44,952
31 December	**763,521**	817,185

NOTE 12 - SHARES IN JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (TSEK)

Jointly controlled entities and associated companies comprise:	Consolidation method	Number of shares	Share %	Book amount 31 December 2007	Book amount 31 December 2006
Ikdam Production SA	Equity	1,600	40.00	0	0
Oil Service	Proportional consolidation	2	50.00	–	–
RF Energy Investments Ltd.	Proportional consolidation	11,540	50.00	–	–
- CJSC Pechoraneftegas [1]		20,000		–	–
- LLC Zapolyarneftegas [1]		1		–	–
- LLC NK Recher-Komi [1]		1		–	–
- Geotundra BV [1]		20,000		–	–
				0	0

[1] Through the proportional consolidation of RF Energy Investment Ltd. the subsidiaries of RF Energy Investment Ltd. are also proportionally consolidated in the Lundin Petroleum accounts.

The amounts included below for the jointly controlled entities and associated companies represents 100% of the reported accounts.

Income statement per 31 December 2007	Ikdam Production SA	Oil Service	RF Energy consolidated
Revenue	18,476	2,076	987,518
Operating cost	-24,722	-943	-750,798
Net result	-15,155	-130	174,129

Balance Sheet per 31 December 2007	Ikdam Production SA	Oil Service	RF Energy consolidated
Non-current assets	89,895	5,457	798,008
Current assets	7,924	1,056	209,854
Total assets	97,819	6,513	1,007,862
Equity	-41,340	2,274	414,898
Non-current liabilities	137,582	689	376,666
Current liabilities	1,577	3,550	216,298
Total liabilities	97,819	6,513	1,007,862

NOTE 13 - OTHER SHARES AND PARTICIPATIONS (TSEK)

Other shares and participation comprise:	Number of shares	Share %	Book amount 31 Dec 2007	Book amount 31 Dec 2006
Baripetrol SA	5,000	5.00	120,987	129,490
Noorderlijke Aardgas Transportmij B.V.	11,098,015	1.81	101,059	93,149
Cofraland B.V.	31	7.75	2,855	2,734
Island Oil and Gas plc	4,000,000	3.62	20,772	34,865
Maison de la géologie	2	1.25	29	27
			245,702	260,265

The fair value of Island Oil & Gas plc is calculated using the quoted share price at the London Stock Exchange and the fair value of the shares in NOGAT is based on the discounted expected cash flow.

As at 31 December 2007, the other shares and participations include MSEK 2.9 recognised at cost because their fair value can not be measured reliably since there is no quoted share price and due to the uncertainty of the timing of the future cash flows from these companies.

NOTE 14 – FINANCIAL RISKS, SENSITIVITY ANALYSIS AND DERIVATIVE INSTRUMENTS (TSEK)

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 oil price hedges and interest rate hedges. Lundin Petroleum uses financial instruments solely for the purpose of minimising risks in the Company's business.

Currency fluctuations

Lundin Petroleum is a Swedish company which is operating globally and therefore attracts substantial foreign exchange exposure, both transactional as well as conversion from functional currency to presentation currency. The functional currency of the majority of Lundin Petroleum's subsidiaries is the US dollar, making Lundin Petroleum sensitive for fluctuation of the US dollar against the Swedish Krona, the presentation currency.

The table below summarises the effect a shift in the currency rate USD/SEK would have on operating result through the conversion of the income statements of the Groups subsidiaries from functional currency to the presentation currency SEK for the year ending at 31 December 2007.

Operating result in the financial statements (MSEK)	1,681.5	1,681.4
USD/SEK	6,2504	7,2504
Total effect on operating result (MSEK)	-88.9	88.9

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.

Price of oil and natural gas

Price of oil and natural gas are affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, economic conditions, political instability or conflicts or actions by major oil exporting countries. Price fluctuations can affect Lundin Petroleums financial position.

The table below summarises the effect a shift in the oil price would have had on the net result at 31 December 2007:

Net result in the financial statements (MSEK)	952.5	952.5
Possible shift (USD/boe)	-5	5
Total effect on net result (MSEK)	-206,4	206,4

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

Interest rate risk is risk to the earnings due to uncertain future interest rates. Lundin Petroleum is exposed to interest rate risk through the credit facility (see also liquidity risk below). 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.

The table below summarises the effect an increase/decrease in the interest rate would have had on the net result for the year ending 31 December 2007:

Net result in the financial statements	952.5	952.5
Possible shift (%)	-10	10
Total effect on net result	4,6	-4,6

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

Liquidity risk is defined as the risk that the Group could not be able to settle or meets its obligations on time or at a reasonable price. Group treasury is responsible for liquidity, funding as well as settlement management. Imn additions, liquidity and funding risks , related processes and policies are overseen by management.

On 26 October 2007 a new credit facility was entered into to repay the existing facility, to provide liquidity for the Company's operations and to enable the funding of potential new projects and acquisition opportunities. The financing facilities consist of a MUSD 850 revolving borrowing base and letter of credit facility and a MUSD 150 unsecured corporate facility. The facilities were fully underwritten by BNP Paribas and sub-underwriters Bank of Scotland and Royal Bank of Scotland. The facility was fully syndicated during December 2007. The cash drawings outstanding under the credit facility amounted to MUSD 418.0 as at 31 December 2007.

It is expected that the Group's operating cash flows will be sufficient to meet the Group's ongoing development and exploration expenditure requirements, but when the cash flow should be insufficient the Group can utilise the undrawn portion of the loan facility. No loan repayments are currently forecasted for the credit facility.

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Expressed in TSEK	Loans receivables and other receivables	Available -for-sale	Financial liabilities valued at amortised cost
Assets			
Other shares and participations		245,702	
Long-term receivable	62,530		
Trade receivables	598,545		
Short-term loan receivable	44,254		
Cash and cash equivalents	483,452		
Liabilities			
Trade Payables			300,121
Bank loans			2,740,168
Short-term interest-bearing debt			44,254
	1,188,781	**245,702**	**3,084,543**

continued – NOTE 14 – FINANCIAL RISKS, SENSITIVITY ANALYSIS AND DERIVATIVE INSTRUMENTS (TSEK)

Outstanding derivative instruments

Fair value of outstanding derivative instruments in the balance sheet:	31 December 2007 Assets	31 December 2007 Liabilities	31 December 2006 Assets	31 December 2006 Liabilities
Interest rate swaps	–	–	4,199	–
Oil hedge contracts	–	–	–	–
Foreign exchange forward contracts	–	–	–	–
Total	**–**	**–**	4,199	–
Non-current	–	–	–	–
Current	–	–	4,199	–
Total	**–**	**–**	4,199	–

Per 31 December 2007 the Group had no outstanding derivative instruments. The Group entered into an interest hedging contract on 10 January 2008, fixing the LIBOR rate of interest at 3.75% p.a. on MUSD 200 of the Group's USD borrowings for the period January 2008 to January 2012.

For risks in the financial reporting see the section Internal Control for financial reporting within Corporate Governance on page 34–36 for more information and for operational risk factors see page 40 for more information.

NOTE 15 – RESTRICTED CASH

Restricted cash represents cash amounts deposited to support letters of credit issued in support of exploration work commitments and amount to TSEK 23,831 (TSEK 18,641).

NOTE 16 – DEFERRED FINANCING FEES

The deferred financing fees amounted in 2007 to TSEK 63,369 and related to the costs incurred establishing the bank credit facility and are being amortised over the estimated usage of the facility. In 2007 amortisation expenses amounted to TSEK 7,654 (TSEK 18,633). See also Note 7.

NOTE 17 – OTHER FINANCIAL ASSETS

Other financial assets amount to TSEK 143,506 (TSEK 78,536) and mainly represent VAT paid on exploration and development costs in Russia that is expected to be recovered from VAT received on future project revenues

NOTE 18 – INVENTORIES (TSEK)

Inventories comprise:	31 December 2007	31 December 2006
Hydrocarbon stocks	69,290	48,283
Drilling equipment and consumable materials	98,424	75,396
	167,714	123,679

Drilling equipment and consumable material comprises:	2007	2006
1 January	75,396	37,458
Acquired on acquisition	519	16,706
Purchase	68,492	68,367
Used in production	-46,264	-45,057
Currency translation difference	395	3,721
	98,516	81,195
Provisions	-92	-5,799
31 December	**98,424**	75,396

NOTE 19 – TRADE RECEIVABLES (TSEK)

No material amounts have been recorded as provisions for bad debt.

NOTE 20 – PREPAID EXPENSES AND ACCRUED INCOME (TSEK)

Prepaid expenses and accrued income comprises:	31 December 2007	31 December 2006
Prepaid rent	8,051	4,577
Joint venture balances	4,882	11,093
Prepaid insurances	3,795	12,722
Accrued income	168	27
Other	36,108	26,052
	53,004	54,471

Joint venture balances included in prepaid expenses and accrued income relate only to unincorporated joint ventures.

NOTE 21 – OTHER RECEIVABLES (TSEK)

Other receivables comprises:	31 December 2007	31 December 2006
Underlift	35,065	46,936
Joint venture debtors	117,312	187,671
VAT receivable	27,184	29,067
Other receivables	104,184	18,010
	283,745	281,684

Joint venture debtors relate only to unincorporated joint ventures.

NOTE 22 – OTHER RESERVES (TSEK)

Other reserves in the statement of changes in equity comprises:	Available-for-sale reserve	Hedge reserve	Currency translation reserve	Total Other reserves
Balance at 1 January 2006	99,109	-61,931	175,198	212,376
Currency translation difference	–	–	-695,258	-695,258
Change in fair value	-19,190	–	–	-19,190
Income and expenses recognised directly in equity	-19,190	–	-695,258	-714,448
Transfer to income statement	–	62,216	–	62,216
Balance at 31 Dec 2006	79,919	285	-520,060	-439,856
Currency translation difference	–	–	-271,102	-271,102
Change in fair value	-12,247	–	–	-12,247
Income and expenses recognised directly in equity	-12,247	–	-271,102	-283,349
Transfer to income statement	–	-285	–	-285
Balance at 31 Dec 2007	**67,672**	**–**	**-791,162**	**-723,490**

NOTE 23 – SITE RESTORATION (TSEK)

	2007	2006
1 January	624,675	329,173
Acquired on acquisition	10,017	10,534
Unwinding of discount (Note 7)	35,387	24,126
Payments	623	-28,846
Changes in estimates	40,373	320,324
Currency translation difference	-10,312	-30,636
31 December	**700,763**	624,675

NOTE 24 – PENSION (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. It was further agreed that upon the death of Mr Adolf H. Lundin, the monthly payments would be paid to his wife, Mrs Eva Lundin for the duration of her life.

Up to October 2006 the pension amount agreed consisted of monthly payments totalling an annual amount of TCHF 206 (TSEK 1,236) and thereafter of monthly payments totalling an annual amount of TCHF 138 (TSEK 777) payable to the widow of Adolf H. Lundin, Mrs Eva Lundin, which will continue 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 1,800 (TSEK 10,138).

In 2006 the pension provision was valued using a discount rate of 2.5% which has resulted in a fair value adjustment gain recorded in the income statement for the year ending 31 December 2006 amounting to TSEK 1,679 .

Pension provision	2007	2006
1 January	10,127	13,810
Fair value adjustment	–	-1,679
Instalments paid	-777	-1,112
Currency translation difference	128	-892
31 December	**9,478**	10,127

NOTE 25 – OTHER PROVISIONS (TSEK)

Other provisions comprises:	Termination indemnity provision	Other	Total
1 January 2007	9,938	4,108	14,046
Additions	–	206	206
Payments	-93	–	-93
Reclassification	–	10,182	10,182
Currency translation difference	-653	-335	-988
31 December 2007	**9,192**	**14,161**	**23,353**

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

NOTE 26 – BANK LOANS (TSEK)

Bank loans comprises:	31 December 2007	31 December 2006
Current		
Repayment within 6 months	22,127	–
Repayment between 6-12 months	22,127	–
Long term		
Repayment within 2–5 years	2,740,168	1,391,063
Repayment after five years	–	–
	2,784,422	1,391,063

The table above analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. 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. The interest rate on the Group' credit facility was floating at LIBOR + 1.1% until 26 October 2007 and after that at LIBOR + 0.9%. Fair value on bank loans as at 31 December 2007 has been estimated to book value as the loan had floating interest rate.

The Group's credit facility agreement provides that an "event of default" occurs where the Group does not comply with certain material covenants or where certain events occur as specified in the agreement, as are customary in financing agreements of this size and nature. If such an event of default occurs and subject to any applicable cure periods, the external lenders may take certain specified actions to enforce their security, including accelerating the repayment of outstanding amounts under the credit facility.

NOTE 27 – FINANCE LEASE (TSEK)

There are no finance leases within the Group.

NOTE 28 – OPERATING LEASE (TSEK)

Operating lease payments in the income statement amounts to MSEK 27.8 (MSEK 31.6) and relates to the sale and leaseback transaction of a vessel in Norway. The payments for the coming years have been based on the assumption of a 7% interest in the vessel. The operating lease expires on 1 July 2010. Lundin Petroleum has an option to lease the vessel for a further 10 years after this date.

Lease payments during 2007 and forward:	31 December 2007	31 December 2006
Under 1 year	26,291	29,801
2–5 year	39,220	70,116
Total	**65,511**	99,917

NOTE 29 – ACCRUED EXPENSES AND PREPAID INCOME (TSEK)

Accrued expenses and prepaid income comprises:	31 December 2007	31 December 2006
Holiday pay	7,847	4,742
Operating costs	18,117	29,485
General and administrative costs	–	2,437
Social security charges	13,920	5,068
Salaries and wages	3,410	2,066
Other	45,290	12,847
	88,584	56,645

NOTE 30 – OTHER LIABILITIES (TSEK)

Other liabilities comprises:	31 December 2007	31 December 2006
Overlift	151,293	17,986
Acquisition liabilities	38,833	37,183
Joint venture creditors	898,340	650,845
VAT payable	10,812	5,498
Social charges payable	3,309	6,206
Other liabilities	18,697	28,582
	1,121,284	746,300

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. In the annual accounts 2005 an amount of TSEK 38,615 was recorded against the purchase price of the shares for Lundin Petroleum's estimate of the amount payable under the deferred consideration. The contingent liability to pay the deferred consideration continued up to 31 December 2005 and after that the deferred consideration has been fully accrued under other liabilities.

Joint venture creditors relate only to unincorporated joint ventures.

NOTE 31 – PLEDGED ASSETS

On 26 October 2007 the Group entered into a new credit facility under which an amount of MUSD 418.0 was outstanding as at 31 December 2007. The financing facilities consist of a MUSD 850 revolving borrowing base and letter of credit facility and a MUSD 150 unsecured corporate facility. 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 3,446,804 as at 31 December 2007, represents the net asset book values of the pledged companies.

NOTE 32 – CONTINGENT LIABILITIES

At the time of the acquisition by Lundin Petroleum Valkyries had four contingent liabilities outstanding. Two of the contingent liabilities relate to the Lagansky Block and amount to MUSD 12.5 to be paid in the event of a commercial discovery and MUSD 10.0 to be paid upon the award of a development licence for a resulting discovery. An additional MUSD 1 is due to the vendor for the Ashirovskoye Field, following the first calendar year in which production from this field exceeds 100,000 metric tons. These contingent liabilities are stated on the face of the balance sheet.

Valkyries had agreed to pay an additional 1 USD per metric ton of oil discovered on newly discovered fields in the Orenburg licence area, assuming commercial quantities of oil. This is a contingent liability from the Oilgaztet acquisition for which none of the conditions have been met at this date. This contingent liability has been assumed by Lundin Petroleum but due to the uncertainty, no value has been assigned for this contingent liability.

NOTE 33 – EARNINGS PER SHARE

Earnings per share is calculated by dividing the result of the Group by the weighted average number of shares for the year.

	2007	2006
The result of the Groups (in SEK)	952,474,000	794,435,500
Weighted average number of shares for the year	315,020,401	280,867,805
Earnings per share (in SEK)	**3.02**	2.83

Diluted earnings per share is calculated by adjusting the weighted average number of shares for the year with the dilution effect of outstanding warrants and to divide the result of the Group attributable to shareholders of the Parent Company by the diluted weighted shares.

	2007	2006
The result of the Groups (in SEK)	952,474,000	794,435,500
Weighted average number of shares for the year	315,020,401	280,867,805
Dilution effect of outstanding warrants	389,514	1,383,532
Weighted average number of shares for the year after considering the dilution effect of outstanding warrants.	315,409,915	282,251,337
Earnings per share (diluted) (in SEK)	**3.02**	2.81

NOTE 34 – ADJUSTMENT TO CASH FLOW FROM OPERATIONS (TSEK)

	Note	2007	2006
Other provisions		-113	6,213
Write off of oil and gas properties	4	369,603	123,469
Depletion, depreciation and amortisation		1,012,770	790,201
Amortisation of deferred financing fees	16	7,654	18,633
Interest income in Income Statement		-37,339	-31,572
Current tax in Income Statement		91,323	567,709
Interest expense in Income Statement		86,103	41,803
Other non-cash items	35	825,713	463,036
Unrealised exchange gains		-160,467	-1,827
Adjustment to cash flow from operations		**2,195,247**	1,977,665

NOTE 35 – CASH FLOW ANALYSIS – OTHER NON CASH ITEMS (TSEK)

	2007	2006
Deferred tax	766,714	469,208
Site restoration discount	35,387	24,126
Share based payments	23,138	27,366
Other non-cash items	474	-57,664
	825,713	463,036

NOTE 36 – RELATED PARTY TRANSACTIONS

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

The Group paid TSEK 320 (TSEK 372) 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. There was no outstanding payable amount at balance date.

The Group received TSEK 87 (TSEK 565) from Vostok Nafta Investment Ltd and related companies, for the provision of office and accounting services and the participation in a sports event organised by Lundin Petroleum. Vostok Nafta is considered a related party because the major shareholder is Lorito Holdings Ltd which also is the major shareholder in Lundin Petroleum. The outstanding receivable at balance date amounted to TSEK 4.

The Group received TSEK 826 (TSEK -) from Lundin Mining AB and related companies, for the participation in a sports event organised by Lundin Petroleum. Lundin Mining is considered a related party because the major shareholder is Lorito Holdings Ltd which also is the major shareholder in Lundin Petroleum. The outstanding receivable at balance date amounted to TSEK 0.

NOTE 37 – AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS (TSEK)

	2007		2006	
Average number of employees per country	Total employees	of which men	Total employees	of which men
Parent company				
Sweden	–	–	–	–
Total parent company	**–**	**–**	–	–
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
United Kingdom	25	18	24	17
France	54	42	53	41
Norway	27	19	17	11
Netherlands	6	3	6	3
Indonesia	17	10	17	10
Russia	307	242	339	293
Tunisia	11	8	12	9
Singapore	4	3	3	2
Switzerland	44	31	42	29
Total subsidiary companies	**495**	**376**	513	415
Total Group	**495**	**376**	513	415

For the Group, a total of 20 persons held senior management and board positions (2006-2005: 20, 2004: 19 persons, 2003: 15 persons). Two women are included in these positions in 2005-2007 (One woman during 2004 and 2003).

	2007		2006	
Salaries, other remuneration and social security costs per country	Salaries and other remuneration	Social security costs	Salaries and other remuneration	Social security costs
Parent company				
Sweden	5,234	877	6,586	1,221
Total parent company	**5,234**	**877**	6,586	1,221
Subsidiary companies in Sweden	–	–	–	–
Subsidiary foreign companies				
United Kingdom	33,578	6,186	31,156	4,193
France	22,518	11,855	21,458	17,794
Norway	38,839	10,089	19,742	5,438
Netherlands	4,477	819	4,792	760
Indonesia	4,885	3,063	5,568	4,415
Russia	60,824	7,268	30,470	2,317
Tunisia	5,002	600	8,264	1,037
Singapore	4,793	500	1,461	106
Switzerland	53,078	11,616	44,134	7,818
Total subsidiary companies	**227,994**	**51,996**	167,045	43,608
Total Group	**233,228**	**52,873**	173,631	44,829
of which defined contribution plan cost		18,847		14,143
of which defined benefit plan cost		777		1,112

Salaries, other remuneration per country split between the Board of Directors/MD and other employees	2007		2006	
	Board of Directors and MD	Other employees	Board of Directors and MD	Other employees
Parent company				
Sweden	5,234	–	6,586	–
Total parent company	**5,234**	**–**	6,586	–
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
United Kingdom	4,717	28,861	6,330	24,826
France	–	22,518	-	21,458
Norway	7,462	31,377	2,019	17,722
Netherlands	1,494	2,983	1,192	3,599
Indonesia	1,805	3,080	1,952	3,616
Russia	5,453	55,371	4,158	26,312
Tunisia	3,012	1,990	3,740	4,524
Singapore	2,201	2,592	1,118	343
Switzerland	4,327	48,751	4,346	39,788
Total subsidiary companies	**30,471**	**197,523**	24,855	142,188
Total Group	**35,705**	**197,523**	31,441	142,188

NOTE 38 – REMUNERATION TO BOARD OF DIRECTORS' AND MANAGEMENT

The Board of Directors of Lundin Petroleum 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 that it is the aim of Lundin Petroleum to recruit, motivate and retain high calibre executives capable of achieving the objectives of the Group and to encourage and appropriately reward superior performance in a manner that enhances shareholder value. Accordingly, the Group operates a Policy of Remuneration which ensures that there is a clear link to business strategy and a close alignment with shareholder interest and current best practice, and aims to ensure that senior executives are rewarded fairly for their contribution to the Group's 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 increased reserves, production, cash flow and profit. 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. The guidelines for the variable salary set the amount payable at between one and ten months salary. There is no policy for the guaranteed payment of an annual bonus.

There are five key elements to the remuneration package of senior executives in the Group: a) Basic salary; b) Variable salary; c) Long-term Incentive Plan; d) Pension arrangements; and e) Non-financial benefits.

Please see the page 29 for further information on the compensation committee.

Salaries and other remuneration to non-executive directors (TSEK)	Fees	Other[1]	Total 2007	Total 2006
Ian H. Lundin	729	2,130	2,859	3,600
Adolf H. Lundin	–	–	–	1,112
Magnus Unger	600	–	600	538
Carl Bildt	–	–	–	288
Kai Hietarinta	175	350	525	429
Lukas Lundin	425	–	425	468
William Rand	600	–	600	600
Viveca Ax:son- Johnson	225	–	225	435
Total	**2,754**	**2,480**	**5,234**	7,470

[1] Other remuneration paid during 2007 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 2007 AGM.

There are no severance pay agreements in place for any non-executive directors.

Salaries and other remuneration to Executive Management (TSEK)	Salary	Bonuses[4]	Benefits[1]	Total 2007	Total 2006	Pensions 2007[2]	Pensions 2006
C. Ashley Heppenstall	3,477	1,320	489	5,286	5,317	332	223
Alexandre Schneiter	2,477	806	209	3,492	3,499	223	166
Chris Bruijnzeels	1,868	1,217	231	3,316	2,346	158	133
Other management[3]	6,495	1,493	453	8,441	7,525	430	394
Total	**14,318**	**4,835**	**1,382**	**20,535**	**18,687**	**1,142**	**916**

[1] Benefits paid include school fees and health insurance.
[2] Pension contributions are payments to non-contributory pension funds of approximately five times above the minimum Swiss statutory levels.
[3] Other management comprise the 4 Vice Presidents in office during the year.
[4] Included in the bonus expense for 2007 is also an amount of TSEK 2,996 relating to bonuses awarded in January 2007 relating to 2006. In December 2007 the Compensation Committee awarded a bonus for 2007 of one month's salary to the CEO and to the Vice Presidents. In January 2008 the Compensation Committee met and reassessed the bonus payments made for 2007 considering the employee's contributions to the results of the Company and the achievement of personal targets. The committee awarded C. Ashley Heppenstall an additional bonus of TSEK 2,004 equal to seven months salary and awarded bonuses to Alexandre Schneiter and Chris Bruijnzeels of TSEK 1,016 and TSEK 912 respectively and the other four Vice Presidents a total of TSEK 2,325 equal to between one and seven months salary. The additional bonus is not included in the table above.

continued – NOTE 38 – REMUNERATION TO BOARD OF DIRECTORS' AND MANAGEMENT

The normal retirement age for the CEO is 65 years. The pension contribution is 10% of the qualifying income for pension purposes, 40% of which is funded by the employee. Qualifying income is defined as annual basic salary.

Since December 2006 enhanced severance terms have been incorporated into the Employment Contracts for Executive Management. These provisions give rise to compensation in the event of termination of employment due to a company change of control. If the Employee elects to resign or if the Employee's employment is terminated without cause within one year following the change of control then the Employee shall be entitled to receive the stated compensation. The associated compensation is two years' basic salary for Chief Executive Officer, Chief Operating Officer and Chief Financial Officer and one year's basic salary for other senior executives.

The following incentive warrants have been issued to the executive management. The board of directors have no outstanding incentive warrants.

	Incentive warrants issued			Incentive warrants outstanding 31 December 2007		
Executive Management	2005 Programme	2006 Programme	2007 Programme[1]	2005 Programme	2006 Programme	2007 Programme[1]
C. Ashley Heppenstall	400,000	400,000	400,000	400,000	400,000	400,000
Alexandre Schneiter	350,000	350,000	350,000	350,000	350,000	350,000
Chris Bruijnzeels	55,000	60,000	100,000	55,000	60,000	100,000
Other management	245,000	275,000	300,000	235,000	275,000	300,000
Total	**1,050,000**	**1,085,000**	**1,150,000**	**1,040,000**	**1,085,000**	**1,150,000**

[1] Maximum number of options issued/ outstanding. The number is depending on the achievement of the performance condition.

For incentive warrants, see also Note 39.

NOTE 39 – INCENTIVE WARRANTS PROGRAMME

The Company runs an incentive programme for employees whereby warrants are issued to employees enabling them to buy shares in the company. The incentive warrants for 2004 until 2007 were issued at a 10% premium to the average closing price of Lundin Petroleum shares for the ten days after the AGM. The warrants are valid for three years but can not be exercised within the first year of issue. Issued warrants to employees leaving the Company within the first year of issue, are forfeited.

At the AGM held on 16 May 2007, the shareholders of Lundin Petroleum approved the implementation of a Long-Term Incentive Plan (LTI) consisting of a Share Option Plan and a Performance Share Plan. Employees had the choice to select either the Share Option Plan or the Performance Share Plan or a 50/50 allocation of both.

The Share Option Plan includes the conditional granting of options with a vesting period of 18 months and subject to the achievement of a performance condition measuring Total Shareholder Return (TSR) relative to a peer group of companies. The options were issued at a 10% premium to the average closing price of Lundin Petroleum shares for the ten days after the AGM. Employees will earn between 0 and 100 percent of the options depending upon the companies performance measured using a relative TSR.

The Performance Share Plan includes a conditional award of Lundin Petroleum shares with a vesting period of three years and subject to the achievement of a performance condition relative to TSR. The number of shares awarded under the Performance Share Plan is based on the value of the options granted under the Share Option Plan. The employees will earn between 50 and 100 percent of the award of shares depending upon the companies performance measured using a relative TSR. Under the Performance Share Plan, Lundin Petroleum made a conditional award of 67,751 shares subject to the achievement of performance criteria. In June 2007, Lundin Petroleum acquired 68,000 of its own shares to fully hedge its potential obligation under the Performance Share Plan.

Movements in the number of incentive warrants outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Average weighted exercise price in SEK per share	Incentive warrants outstanding	Average weighted exercise price in SEK per share	Incentive warrants outstanding
At 1 January	76.09	7,568,500	50.93	4,678,000
Granted	78.05	3,525,000[1]	96.94	3,597,500
Acquired	–	–	57.78	642,500
Forfeited	–	–	–	–
Exercised	45.83	-1,335,500	33.33	-1,219,500
Lapsed	83.92	-458,000	68.78	-130,000
At 31 December	**80.64**	**9,300,000**	76.09	7,568,500

[1] Maximum number of options outstanding. The number is depending on the achievement of the performance condition.

The weighted average share price relating to the incentive warrants exercised during 2007 amounted to SEK 69,93 per share. As at 31 December 2007 5,775,000 options were exercisable at the end of the year.

The fair value of incentive warrants granted under the Share Option Plan during the period using Black & Scholes method valuation model amounted to TSEK 28,940 based on an assessed volatility of 30%, the continuously compounded Swedish government bond interest rate of 4.32% and the probability of 50% of achievement of the performance criteria, see above. The volatility was at the time of the valuation at a historical high level, however it was estimated that the volatility over the vesting period would have a normalised long-term volatility of 30%. The fair value of shareoptions granted under the Performance Share Plan during the period was valued based on the share price of the date of granting and the probability of 50% of achievement of the performance criteria, see above, and amounted to TSEK 2,464. The total expense accounted for during the period amounted to TSEK 23,138. See also Share data, page 37–39, for details on exercise price and vesting period.

A new plan (Long-term Variable Bonus Retention Plan) will be submitted to the 2008 AGM for approval. The new plan shall be related to the Company's share price and will be payable over a period of three years from award in order to recruit and retain employees.

NOTE 40 – ACQUIRED SUBSIDIARY

On 31 October 2007 Lundin Petroleum's subsidiary Lundin International SA acquired 100% of Carr Production France SARL ("CARR"). The financial results of CARR have been fully consolidated within the Lundin Petroleum group from 1 November 2007.

The acquired business contributed revenues of MSEK 10.3 and net profit of MSEK 4.5 to Lundin Petroleum for the period 1 November to 31 December 2007. If CARR would have been acquired per 1 January 2007 their contribution to the Lundin Petroleum revenue and result, for the full financial year, would have been MSEK 46.6 and MSEK 32.5 respectively.

Details of the purchase price calculation are as follows (amounts in TSEK):

Purchase price calculation	
- Cash paid	65,345
- Registration fee	3,261
Total purchase consideration	**68,606**

The assets and liabilities arising from the acquisition are as follows (TSEK):

	Fair value
Oil and gas properties	82,550
Deferred tax asset	561
Receivables and inventories	9,445
Provisions	-10,017
Current liabilities	-14,779
Net assets acquired	**67,760**
Cash and cash equivalents in subsidiary acquired	846
Purchase consideration	**68,606**

Subsequent to the year end CARR was merged with Lundin International SA.

ACQUIRED SUBSIDIARY 2006

On 31 July 2006 Lundin Petroleum acquired 100% of Valkyries Petroleum Corp. ("Valkyries") in exchange for shares in Lundin Petroleum AB. The financial results of Valkyries have been fully consolidated within the Lundin Petroleum group from 1 August 2006.

The assets and liabilities arising from the acquisition are as follows (TSEK):

	Fair value
Oil and gas properties	7,683,504
Other tangible fixed assets	12,107
Goodwill	862,137
Financial assets	11,899
Receivables and inventories	125,705
Minority interest	-1,714,035
Provisions	-10,534
Deferred tax liability	-1,668,152
Long-term interest bearing debt	-157,349
Current liabilities	-131,976
Net assets acquired	**5,013,306**
Cash and cash equivalents in subsidiary acquired	54,257
Purchase consideration	**5,067,563**

NOTE 41 – SUBSEQUENT EVENTS

On 1 February 2008, following the receipt of Venezuelan Ministry of Energy and Petroleum approval, Lundin Petroleum completed the sale of its wholly owned subsidiary, Lundin Latina de Petróleos, S.A. to PetroFalcon Corporation ("PetroFalcon") and the acquisition of shares and warrants in PetroFalcon through a private placement. As a result of these transactions, Lundin Petroleum has become the largest shareholder in PetroFalcon with a shareholding of approximately 64 million shares of PetroFalcon, representing 42 percent of the issued and outstanding common shares of PetroFalcon. Lundin Petroleum has also acquired warrants of PetroFalcon, which may be exercised at any time during the two year period following issuance to acquire up to 5,000,000 shares of PetroFalcon at an exercise price of CDN 1.20 per share. PetroFalcon Corporation is a natural resource company with oil and gas operations in Venezuela. PetroFalcon is listed on the Toronto Stock Exchange (ticker symbol "PFC") and has existing proven and probable reserves before royalties of 36 million barrels of oil equivalent (MMboe) as of January 1, 2007.

On 7 January 2008, Lundin Petroleum announced that the exploration well 12/17b-1 on Licence P1301 in the Moray Firth area of the United Kingdom North Sea was a dry hole. Lundin Petroleum has a 30 percent interest in this well and the associated costs amounting to an estimated MSEK 50.0 will be written off in the first quarter of 2008.

The Group entered into an interest hedging contract on 10 January 2008, fixing the LIBOR rate of interest at 3.75% p.a. on MUSD 200 of the Group's USD borrowings for the period January 2008 to January 2012.

On 10 March 2008, Lundin Petroleum announced that well Nyal-1, drilled on the Nyal prospect, reached Total Depth at 2,363 metres and will be plugged and abandoned as a dry hole. The well is located on dry land on the western flank of the southern Muglad Basin in Block 5B, Sudan. The well was the first of a four well programme scheduled for Block 5B in 2008.

On 14 March 2008 Lundin Petroleum announced that exploration well Wan Machar-1 (previously Umm Dandalo) has spudded in Block 5B, Sudan. The well is located in the swamp area of the block, on the eastern flank of the basin. The well, with a planned depth of 1,700 metres, will target the Upper to Lower Cretaceous sandstone reservoirs that have proved highly productive in other producing fields in the Muglad Basin. The gross unrisked recoverable prospective resource for the Wan Machar prospect is estimated at 1,542 million barrels of oil (MMbo).

On 14 March 2008, Lundin Norway, a wholly owned subsidiary of Lundin Petroleum announced the sale of its 70 percent interest in licence PL103B which comprises a 7 percent unitised interest in the producing Jotun oil and gas field offshore Norway. Lundin Petroleum has agreed to sell its 7 percent unitised interest in the Jotun oil and gas field to Det norske oljeselskap for 72 million Norwegian Kroner (MNOK) with an effective date of 1 January 2008. The Jotun field is located offshore Norway, started production in 1999 and is producing to the Jotun FPSO via 12 development wells. The proven and probable reserves (2P) net to Lundin Petroleum in Jotun was 0.9 MMboe as at 1 January 2008 with no associated contingent resources attributable to the field. The completion of the sale of the 70 percent interest in licence PL103B is subject to government and partner approval.

ANNUAL ACCOUNTS OF THE PARENT COMPANY

Parent company

The business of the Parent Company is investment in and management of oil and gas assets. The net profit for the parent company amounted to a profit of MSEK 34.7 (MSEK 1,754.8) for the financial year ended 31 December 2007. Included in the result for 2006 is an accrual for an anticipated dividend due from a subsidiary of MSEK 1,768.3.

The profit included general and administrative expenses of MSEK 39.8 (MSEK 34.2) for the year ended 31 December 2007. Interest income derived from loans to subsidiary companies amounted to MSEK 20.7 (MSEK 37.7). Currency exchange gains amounted to MSEK 31.0 (MSEK -17.9). The foreign exchange gains relate primarily to the revaluation of the loan to a subsidiary in relation to the anticipated dividend accrued for at 31 December 2006. On 16 May 2007 the loan was converted to shares in the subsidiary.

The Parent Company acquired 68,000 of its own shares in June 2007 at an average price of 64.43 SEK per share to fully hedge its potential obligations under its employee Long Term Incentive Plan for awards made in 2007. This transaction was recorded as a reduction in equity.

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

Accounting Principles

The financial statements of the Parent Company are prepared in accordance with accounting principles generally accepted in Sweden, applying RR 32:06 issued by the Swedish Financial Accounting Standards Council and the Annual Accounts Act (1995: 1554). RR 32:06 requires the Parent Company to use similar accounting principles as for the Group, i.e. IFRS to the extent allowed by RR 32:06. The Parent Company's accounting principles do not in any material respect deviate from the Group principles, see page 54–58.

PARENT COMPANY INCOME STATEMENT

PARENT COMPANY INCOME STATEMENT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER

Expressed in TSEK	Note	2007	2006
Operating income	1		
Other operating income		22,389	39,218
Gross profit		**22,389**	39,218
General, administration and depreciation expenses	2	-39,769	-34,192
Operating profit		**-17,380**	5,026
Result from financial investments			
Financial income	3	52,047	1,806,299
Financial expenses	4	–	-56,492
		52,047	1,749,807
Profit before tax		**34,667**	1,754,833
Corporation tax	5	–	–
Net result		**34,667**	1,754,833

PARENT COMPANY BALANCE SHEET

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

Expressed in TSEK	Note	2007	2006
ASSETS			
Non current assets			
Shares in subsidiaries	6	7,722,667	5,279,421
Receivables from Group companies	7	138,432	694,658
Total non current assets		**7,861,099**	5,974,079
Current assets			
Prepaid expenses and accrued income		557	533
Other receivables	8	11,889	1,790,627
Cash and cash equivalents		8,861	8,962
Total current assets		**21,307**	1,800,122
TOTAL ASSETS		**7,882,406**	7,774,201
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		3,155	3,142
Statutory reserve		861,306	861,306
Total restricted equity		**864,461**	864,448
Unrestricted equity			
Other reserves		5,157,307	5,093,245
Retained earnings		1,821,289	51,565
Net Profit		34,667	1,754,833
Total unrestricted equity		**7,013,263**	6,899,643
Total equity		**7,877,724**	7,764,091
Current liabilities			
Trade payables		1,934	49
Liabilities to Group companies		–	7,648
Accrued expenses and prepaid income	9	2,457	1,908
Other liabilities		291	505
Total current liabilities		**4,682**	10,110
TOTAL EQUITY AND LIABILITIES		**7,882,406**	7,774,201
Pledged assets	11	3,446,804	1,986,537
Contingent liabilities	11	150,720	161,313

PARENT COMPANY STATEMENT OF CASH FLOW

PARENT COMPANY STATEMENT OF CASH FLOW AT 31 DECEMBER

Expressed in TSEK	2007	2006
Cash flow used for operations		
Net result	34,667	1,754,833
Adjustments for		
Other non-cash items	-987	-6,365
Interest income received	-302	-282
Interest expenses paid	12	–
Unrealised exchange gains	-31,021	-1,837
Changes in working capital		
Increase/decrease in current assets	-838	-1,793,312
Decrease/increase in current liabilities	-5,793	5,826
Total cash flow used for operations	**-4,262**	-41,137
Cash flow used for investments		
Change in other financial fixed assets	-52,242	-3,242
Total cash flow used for investments	**-52,242**	-3,242
Cash flow from financing		
Purchase of own shares	-4,395	–
Proceeds from share issues	61,207	40,648
Total cash flow from financing	**56,812**	40,648
Change in cash and bank	308	-3,731
Cash and bank at the beginning of the year	8,962	10,856
Currency exchange difference in cash and bank	-409	1,837
Cash and bank at the end of the year	**8,861**	8,962

PARENT COMPANY EQUITY STATEMENT

PARENT COMPANY EQUITY STATEMENT AT 31 DECEMBER

	Restricted Equity		Unrestricted equity			
	Share capital [1]	Statutory reserve	Other reserves [2]	Retained earnings	Net result	Total equity
Balance at 1 January 2006	2,571	861,306	–	23,118	6,265	893,260
Transfer of prior year net result	–	–	–	6,265	-6,265	–
New share issuance	571	–	5,094,354	–	–	5,094,925
Transfer of share based payments	–	–	5,184	-5,184	–	–
Share based payments	–	–	–	27,366	–	27,366
Currency translation difference	–	–	-6,293	–	–	-6,293
Net result	–	–	–	–	1,754,833	1,754,833
Balance at 31 December 2006	**3,142**	**861,306**	**5,093,245**	**51,565**	**1,754,833**	**7,764,091**
Transfer of prior year net result	–	–	–	1,754,833	-1,754,833	–
New share issuance	13	–	61,194	–	–	61,207
Purchase of own shares	–	–	-4,395	–	–	-4,395
Transfer of share based payments	–	–	8,247	-8,247	–	–
Share based payments	–	–	–	23,138	–	23,138
Currency translation difference	–	–	-984	–	–	-984
Net result	–	–	–	–	34,667	34,667
Balance at 31 December 2007	**3,155**	**861,306**	**5,157,307**	**1,821,289**	**34,667**	**7,877,724**

[1] Lundin Petroleum AB's issued share capital at 31 December 2007 amounted to SEK 3,155,506 represented by 315,550,580 shares with a quota value of SEK 0.01 each. Included in the number of shares issued at 31 December 2007 is an amount of 132,000 shares which had been issued but not registered by the 31 December 2007.

[2] From 1 January 2006 the additional paid-in-capital has been included in Other reserves as well as currency differences on loans to subsidiaries. An additional 1 million Lundin Petroleum shares have been reserved for issuance to the previous holder of Valkyries' interest in the Caspiskaya Field, upon the Caspiskaya Field producing 2,500 bopd for a continuous period of thirty days. This consideration has been valued at the closing price at 31 July 2006 and also included in the purchase price.

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

NOTE 1 – OTHER OPERATING INCOME PER COUNTRY (TSEK)

	2007	2006
United Kingdom	12,727	11,053
Tunisia	7,820	21,993
Indonesia	1,994	2,412
Ireland	-143	3,623
Nigeria	-9	137
	22,389	39,218

NOTE 2 – REMUNERATION TO THE AUDITORS (TSEK)

The auditors of the parent company are PricewaterhouseCoopers.

Remuneration to the Group's auditors	2007	2006
Audit fees	887	815
Other	321	59
	1,208	874

NOTE 3 – FINANCIAL INCOME (TSEK)

Financial income comprise:	2007	2006
Interest income	21,026	37,997
Dividend	–	1,768,302
Foreign exchange gain, net	31,021	–
	52,047	1,806,299

Included in the interest income for the Parent Company is an amount of TSEK 20,729 (TSEK 37,715) received from Group companies.

NOTE 4 – FINANCIAL EXPENSES (TSEK)

Financial expense comprise:	2007	2006
Foreign exchange losses, net	–	17,856
Other financial expenses- group	–	38,636
	–	56,492

The Parent Company's Other financial expenses- group and foreign exchange losses in 2006 relates primarily to the write-off of a loan to a subsidiary denominated in a foreign currency.

NOTE 5 – TAXES (TSEK)

	2007	2006
Profit before tax	34,667	1,754,833
Tax calculated at the corporate tax rate in Sweden (28%)	-9,706	-491,353
Tax effect of expenses non-deductible for tax purposes	-1,137	-15,657
Tax effect of income not subject to tax	–	495,125
Tax effect of utilisation of unrecorded tax losses	10,843	11,885
	–	–

NOTE 6 – SHARES IN SUBSIDIARIES (TSEK)

Note 6 appears on the following page (page 77).

NOTE 7 – RECEIVABLES FROM GROUP COMPANY (TSEK)

Receivables from Group company:	31 December 2007	31 December 2006
Receivables from Group company	138,432	694,658
	138,432	694,658

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 8 – OTHER RECEIVABLES (TSEK)

Other receivables comprises:	31 December 2007	31 December 2006
Due from Group companies	11,001	1,790,552
VAT receivable	888	75
	11,889	1,790,627

NOTE 9 – ACCRUED EXPENSES AND PREPAID INCOME (TSEK)

Accrued expenses and prepaid income comprises:	31 December 2007	31 December 2006
Social security charges	266	503
Other	2,191	1,405
	2,457	1,908

NOTE 10 – FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Expressed in TSEK	Loans receivables and other receivables	Financial liabilities valued at amortised cost
Assets		
Receivables from Group companies	149,433	
Cash and cash equivalents	8,861	
Liabilities		
Trade Payables		1,934
	147,293	**1,934**

NOTE 11 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

Please see Group Note 31 and 32 for details.

At 14 April 2008, the Board of Directors and the President of Lundin Petroleum AB have adopted this annual report for the financial year ended 31 December 2007.

BOARD ASSURANCE

The Board of Directors and the President & CEO certify that the year end financial report gives a true and fair review of the performance of the business, financial position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, 14 April 2008

Lundin Petroleum AB (publ) Org. Nr. 556610-8055

Ian H. Lundin	C. Ashley Heppenstall	Lukas H. Lundin	William A. Rand	Magnus Unger
Chairman	President & CEO			

NOTE 6 – SHARES IN SUBSIDIARIES (TSEK)

	Registration number	Registered office	Number of shares	Percentage	Nominal value per share	Book amount 31 December 2007	Book amount 31 December 2006
Directly owned							
Lundin Energy AB	556619-2299	Stockholm, Sweden	10,000,000	100	SEK 0.01	100	100
Lundin Investment Ltd	EC-14476	Hamilton, Bermuda	12,000	100	USD 1.00	585	585
Lundin Petroleum BV	BV 1216140	The Hague, Netherlands	180	100	EUR 100.00	7,721,982	5,278,736
						7,722,667	5,279,421
Indirectly owned							
Lundin Britain Ltd	3628497	London, United Kingdom	24,265,203	100	GBP 1.00		
- Lundin Heather Ltd	2748866	London, United Kingdom	9,701,000	100	GBP 1.00		
- Lundin Thistle Ltd	4487223	London, United Kingdom	100	100	GBP 1.00		
- Lundin UK Ltd	1006812	London, United Kingdom	5,004	100	GBP 1.00		
Lundin Norway AS	986 209 409	Oslo, Norway	1,320,000	100	NOK 100.00		
Lundin Netherlands Holding BV	BV 87466	The Hague, Netherlands	150	100	EUR 450.00		
Lundin Netherlands BV	BV 86811	The Hague, Netherlands	30,000	100	EUR 450.00		
Lundin Tunisia BV	BV 1355993	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Munir BV	BV 1225617	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Nigeria Ltd	RC 615830	Lagos, Nigeria	10,000,000	100	N 1.00		
Lundin Albania BV	BV 1310581	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Exploration BV	BV 1303454	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Sudan BV	BV 1225619	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Sudan (Halaib) Ltd	EC-16775	Hamilton, Bermuda	12,000	100	USD 1.00		
Lundin Block 5B BV	BV 1225618	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Marine BV	BV 1310579	The Hague, Netherlands	180	100	EUR 100.00		
- Lundin Marine SARL	06B090	Pointe Noire, Congo	200	100	FCFA 5,000		
Lundin Kenya BV	1455810	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin East Africa BV	BV 1384640	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin South East Asia BV	BV 1384642	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Ventures BV	BV 1386730	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Vietnam BV	BV 1272860	The Hague, Netherlands	180	100	EUR 100.00		
Lundin North Sea BV	BV 1397514	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Cambodia BV	BV 1397919	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Data Services BV	BV 1458414	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Ventures VIII BV	BV 1458418	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin International BV	BV 1458420	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Petroleum SA	1731/1999	Geneva, Switzerland	1,000	100	CHF 100.00		
Lundin Services BV	BV 1229867	The Hague, Netherlands	180	100	EUR 100.00		
Viking Oil & Gas ASA	991036210	Oslo, Norway	1,000,000	100	NOK 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	99.86	EUR 15.00		
- Lundin Gascogne SNC	Nanterre B419619077	Montmirail, France	100	100	EUR 152.45		
Lundin Latina de Petroleos SA	N 6 Volume 8-A-Qto	Caracas, Venezuela	8,047,951	100	Bs 1,000		
Lundin Indonesia Holding BV	BV 1386728	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Indonesia BV	BV 471132	The Hague, Netherlands	1,065	100	EUR 450.00		
- Lundin Lematang BV	BV 547158	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Oil & Gas BV	BV 547156	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Blora BV	BV 561660	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Sareba BV	BV 608284	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Banyumas BV	BV 1140222	The Hague, Netherlands	182	100	EUR 100.00		
- Lundin Salawati BV	BV 1408196	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Russia BV	BV 1386727	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Russia Services BV	BV 1391268	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Russia Ltd.	656565-4	Vancouver, Canada	55,855,414	100	CAD 1.00		
- Lundin Lagansky BV	BV 1397745	The Hague, Netherlands	18,000	100	EUR 1.00		
- LLC Valneft	1057747770002	Moscow, Russia	1	100	USD 100,000		
- Valkyries Cyprus Ltd	148699	Nicosia, Cyprus	3736	100	CYP 1.00		
- Valkam Holding Ltd	162301	Nicosia, Cyprus	1000	100	CYP 1.00		
- Valkam II Holding Ltd	166574	Nicosia, Cyprus	1000	100	CYP 1.00		
- CJSC Oilgaztet	1025601716360	Orenburg, Russia	401	50	RUR 1.000		
- Mintley Cyprus Ltd	155499	Nicosia, Cyprus	1000	100	CYP 1.00		
- Ulankhol Cyprus Ltd	159376	Nicosia, Cyprus	1000	100	CYP 1.00		
- CJSC Kalmeastern	1020800566841	Kalmykia, Russia	10000	51	RUR 10		
- Culmore Holding Ltd	162316	Nicosia, Cyprus	1000	100	CYP 1.00		
- Mintley Caspian Ltd	160901	Limasson, Cyprus	5000	70	CYP1.00		
- LLC PetroResurs	1047796031733	Moscow Reg., Russia	1	100	RUR 10,000		

Lundin (Heather Oilfield) Ltd., Lundin UK Exploration Ltd. And Valkam III Holding Ltd were undergoing liquidation as at 31 December 2007. During 2007 LLC Geoplast was sold for a nominal consideration.

AUDITORS' REPORT

To the annual meeting of the shareholders of
Lundin Petroleum AB (publ)
Corporate identity number 556610-8055

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the President & CEO of Lundin Petroleum AB (publ) for the year 2007. The company's annual accounts are included in the printed version on pages 37–77. The board of directors and the President & CEO are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. 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 President & CEO and significant estimates made by the board of directors and the President & CEO 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 President & CEO. We also examined whether any board member or the President & CEO 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 have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the President & CEO be discharged from liability for the financial year.

Stockholm, 14 April 2008

Klas Brand
Authorised Public Accountant
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorised Public Accountant
PricewaterhouseCoopers AB

RESERVE QUANTITY INFORMATION

Proved and probable oil reserves	Total Mbbl	UK Mbbl	France Mbbl	Netherland Mbbl	Tunisia Mbbl	Norway Mbbl	Venezuela Mbbl	Indonesia Mbbl	Russia Mbbl
1 January 2006	130,050	54,074	20,050	146	4,729	34,692	4,143	12,216	
Changes during the year									
- acquisitions	46,626	–	–	–	–	–	–	–	46,626
- sales	–	–	–	–	–	–	–	–	–
- revisions	11,005	1,328	3,960	-146	-512	5,016	150	239	970
- extensions and discoveries	–	–	–	–	–	–	–	–	–
- production	-10,017	-6,086	-1,362	–	-429	-294	-150	-888	-808
- reclassification	-4,143	–	–	–	–	–	-4,143	–	–
31 December 2006	173,521	49,316	22,648	–	3,788	39,414	–	11,567	46,788
2007									
Changes during the year									
- acquisitions	4,387	1,108	1,805	–	–	1,474	–	–	–
- sales	–	–	–	–	–	–	–	–	–
- revisions	3,734	4,644	2,596	–	453	3,470	–	-196	-7,233
- extensions and discoveries	–	–	–	–	–	–	–	–	–
- production	-11,814	-4,991	-1,270	–	-2,320	-230	–	-939	-2,064
- reclassification	–	–	–	–	–	–	–	–	–
31 December 2007	169,828	50,077	25,779	–	1,921	44,128	–	10,432	37,491

Proved and probable gas reserves	Total MMscf[1]	UK MMscf	Netherlands MMscf	Norway MMscf	Venezuela MMscf	Indonesia MMscf
1 January 2006	96,082	–	34,680	37,818	1,308	22,276
Changes during the year						
- acquisitions	12,986	–	–	–	–	12,986
- sales	–	–	–	–	–	
- revisions	12,412	–	2,375	9,267	53	717
- extensions and discoveries	–	–	–	–	–	–
- production	-4,900	–	-4,601	-135	-68	-96
- reclassification	-1,293	–	–	–	-1,293	–
31 December 2006	115,287	–	32,454	46,950	–	35,883
2007						
Changes during the year						
- acquisitions	52,260	22,427	–	29,833	–	–
- sales	–	–	–	–	–	–
- revisions	119	–	1,349	767	–	-1,997
- extensions and discoveries	–	–	–	–	–	–
- production	-5,118	–	-4,926	-127	–	-65
- reclassification	–	–	–	–	–	–
31 December 2007	162,548	22,427	28,877	77,423	–	33,821

[1] The Company has used a factor of 6,000 to convert one SCF to one BOE.

From the Russian reserves, of 37,491 Mbbl, 12,812 Mbbl are attributed to minority and 24,679 Mbbl are attributed to Lundin Petroleum. Of the total proved and probable oil and gas reserves at 31 December 2007, an additional 36 Mbbl are attributable to minority shareholders of other subsidiaries of the Group. .

The reserves as at 31 December 2007 have been certified by Gaffney, Cline & Associates.

FINANCIAL REPORTING DATES AND DEFINITIONS

FINANCIAL REPORTING DATES

Lundin Petroleum will publish the following interim reports:

▸ 12 May 2008	Three month report (January – March 2008)
▸ 13 May 2008	AGM 2008
▸ 13 August 2008	Six month report (January – June 2008)
▸ 12 November 2008	Nine month report (January – September 2008)
▸ February 2009	Year End report 2008

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

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is held within six months from the close of the financial year. All shareholders who are registered in the shareholders' registry and who have duly notified their intention to attend the AGM may do so and vote in accordance with their level of shareholding. Shareholders who cannot participate personally may be represented by proxy.

The Annual General Meeting of the shareholders is to be held on Tuesday 13 May 2008 at 13.00 (Swedish time). Location: Oscarsteatern, Kungsgatan 63, 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 Wednesday 7 May 2007; and
- notify Lundin Petroleum of their intention to attend the meeting no later the Thursday 8 May 2007

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, personal social security number/ company registration number, address and day time telephone number.

Shareholders whose shares are registered in the name of a nominee must temporarily register the shares in their own names in the shareholders' register. Such registration must be effected by 7 May 2008.

DEFINITIONS

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

Abbreviations

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

Oil related terms and measurements

bbl	Barrel (1 barrel = 159 litres)
bcf	Billion cubic feet (1 cubic foot = 0.028 m3)
boe	Barrels of oil equivalents
boepd	Barrels of oil equivalents per day
bopd	Barrels of oil per day
Mbbl	Thousand barrels (in Latin mille)
Mbo	Thousand barrels of oil
Mboe	Thousand barrels of oil equivalents
Mboepd	Thousand barrels of oil equivalents per day
MMbo	Million barrels of oil
MMboe	Million barrels of oil equivalents
MMbpd	Million barrels per day
MMbopd	Million barrels of oil per day
Mcf	Thousand cubic feet
Mcfpd	Thousand cubic feet per day
MMscf	Million standard cubic feet

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.

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