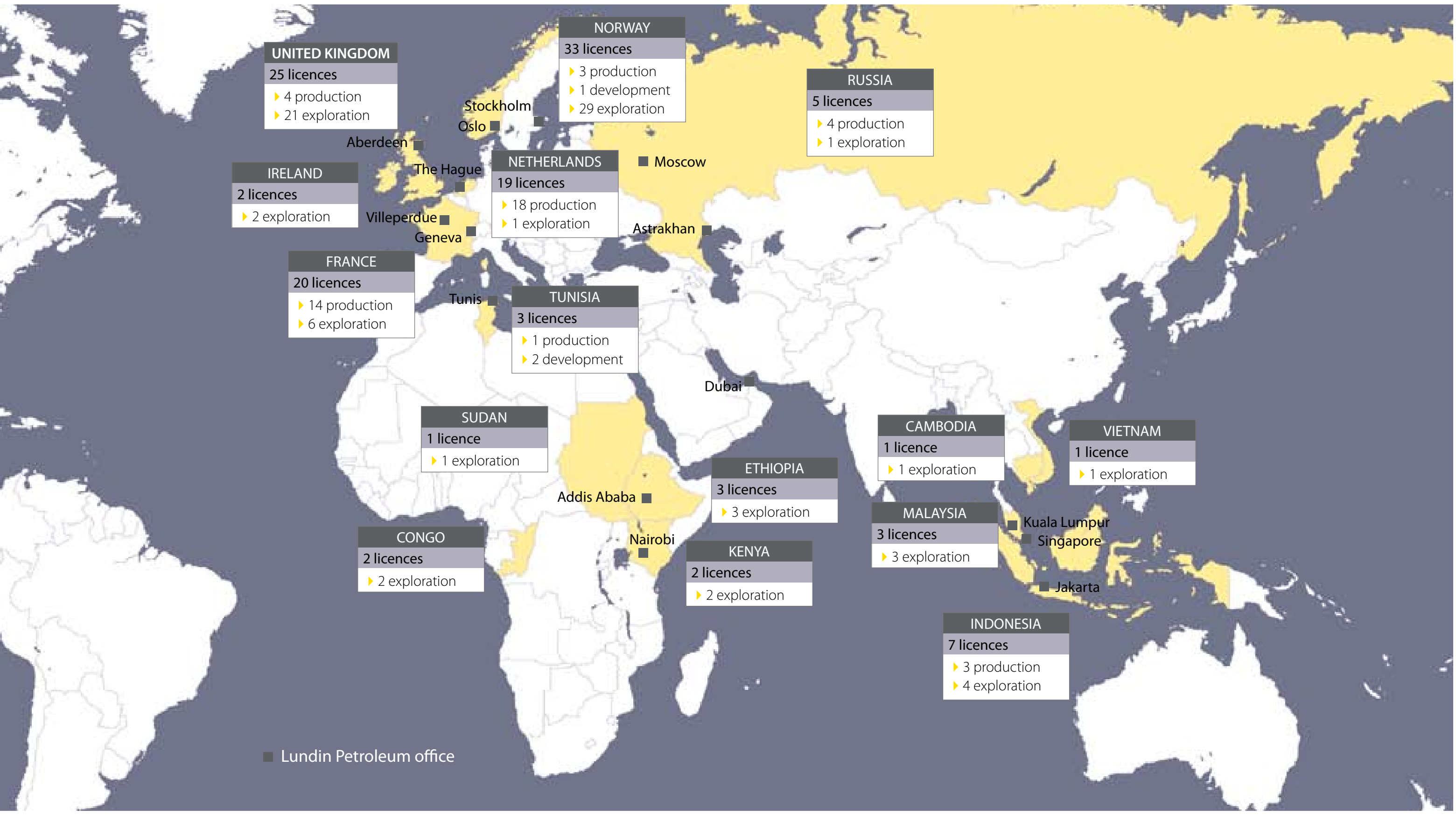
Lundin Petroleum

ANNUAL REPORT 2008



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2008 HIGHLIGHTS

1st oil
from the Alvheim field June 2008

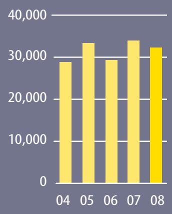
+ 3
new oil and gas discoveries

+394%
reserves replacement
Proven and Probable reserves increased to 217.5 MMboe

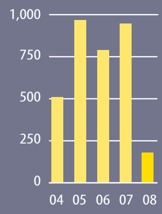
+ 22
new exploration licences

LUNDIN PETROLEUM AT A GLANCE

PRODUCTION (BOEPD)

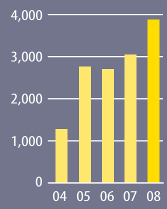


PROFIT (MSEK)[1]

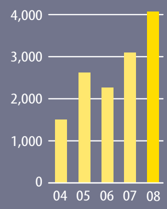


[1] Adjusted to exclude sale of assets

EBITDA (MSEK)



CASH FLOW (MSEK)



YEAR	2008	2007	2006	2005	2004
Net result, MSEK[2]	179.7	952.5	794.4	970.0	507.1
Operating income, MSEK	6,393.7	5,484.3	4,415.5	4,190.2	2,468.3
EBITDA, MSEK	3,878.4	3,048.6	2,731.5	2,782.6	1,281.5
Operating cash flow, MSEK	4,092.1	3,126.1	2,271.0	2,627.4	1,502.8
Earnings, SEK per share[3]	1.77	3.03	2.85	3.87	2.34
Debt/equity ratio, %	35	21	12	9	45
Production in MMboe	11.6	12.4	10.7	12.1	9.8
Production in boepd	31,700	34,000	29,400	33,190	28,921

[2] Excluding result on sale of assets

[3] Fully diluted

For further definitions, see page 53, Key Data

2009 OUTLOOK

1st oil
from the Volund field, Norway

1st gas
from the Singa field, Indonesia

10–32%
production increase over 2008 levels

15
exploration wells to be drilled in 2009

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: Alvheim FPSO

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

The turbulence in the financial markets has continued and indeed spread to the wider economy. The implications of what is being referred to as "the perfect storm" of recessionary economies in all industrialised countries are still to be fully understood. The problems in the financial sector triggered by US property loans have widened to an effective failure of the world banking system which has only survived as a result of government support. World governments are desperately trying to rejuvenate falling economies through ever increasing stimulation packages. These stimulation packages will ultimately have an impact but currently the uncertainty coupled with unavailability of credit has resulted in the majority of companies and individuals following a very cautious stance and they have yet to have the desired effect.

Commodity prices including oil have been hit very hard as slowing economies affect demand. We have seen oil prices fall from a high of close to USD 150 per barrel in 2008 to current prices of close to USD 40 per barrel. Further falls in oil prices have only been avoided by action from OPEC to reduce production volumes to match supply to demand. Whilst further demand destruction particularly from China and the developing world is a distinct risk which could put downward pressure on oil prices, I believe that oil prices are likely to stabilise at current levels until we see signs of growth returning to the economy. I am however concerned about the ability of our industry to meet increased demand when economic growth returns. Investments are currently being cancelled or postponed by most oil and gas companies who have to preserve liquidity and this will only exacerbate the supply problems which existed before the economic downturn. Such supply concerns will re-emerge as the economy recovers and I believe that oil prices will increase in the medium term. However the timing of any such recovery is difficult to predict at this time.

We continue to believe in higher oil prices in the long term and that access to reserves and production will ultimately create value for shareholders. In this respect, our strategy at Lundin Petroleum has not fundamentally changed but we believe it is prudent to adopt a cautious approach in the current environment. We have to ensure that we retain as much financial flexibility as possible to deal with the uncertainties of commodity prices and availability of capital. We have already seen a number of oil companies facing liquidity constraints which ultimately destroys shareholder value as companies are forced to sell assets and/or raise limited but expensive capital.

I will reiterate my comments from the third quarter report because they remain very valid:

- We continue to generate strong operating cash flow particularly from our low cost Norwegian production where operating costs are less than USD 5 per barrel.

- We have committed banking facilities of USD 1 billion from a broad syndicate of relationship banks of which less than USD 500 million of net debt was outstanding at year end. During December 2008 the banking syndicate reconfirmed the availability of the banking lines even when running economics which reflect current world oil prices. We have no immediate requirement to refinance any of our banking lines until 2010 and then only in respect of the undrawn USD 150 million corporate line.

- We have maintained capital and exploration expenditures at in excess of USD 500 million in 2009 which will be funded from operating cash flow and undrawn bank lines. In 2010 we expect to fund all capital and exploration commitments from operating cash flow.

Considering the severity of the economic downturn, Lundin Petroleum's financial position is robust, with an ability to withstand current oil prices for an extended period without the need for asset sales or new capital. We are taking the opportunity to focus our activity on our core areas. We view our core areas as Europe, particularly Norway, South East Asia and Russia. As a result of our disappointing exploration drilling

results in Sudan we have decided to exit our East Africa assets in Kenya and Ethiopia.

Financial performance

After record financial performance for the first nine months of 2008 the profitability of the company was adversely affected in the fourth quarter of 2008 by a number of non-cash adjustments which negatively affected profitability by MSEK 1,534. It is important however to recognise that:

- Operating cash flow at MSEK 1,129.1 in the fourth quarter remained strong, highlighting the cash generating capacity of the business even at lower oil prices.

- The impairment costs of MSEK 613.7 were primarily the result of reserve writedowns in Russia and Tunisia. Despite these writedowns we increased our reserves by 26 percent in 2008 resulting in a reserve replacement ratio of 394 percent. No value increase is recognised in our accounts from the areas where reserves increased as these assets remain valued at historical cost.

- The foreign exchange losses incurred primarily as a result of the revaluation of USD denominated debt into local Norwegian Kronor accounts are non-cash. The corresponding increase in value of our USD denominated oil and gas assets when converted into Norwegian Kronor is not reflected in the profit and loss statement.

Assuming oil prices of USD 40 per barrel for 2009 Lundin Petroleum will make a small after tax loss assuming no exchange rate movements. However as a result of operating costs of less than USD 20 per barrel and tax credits, operating cash flow will be in excess of USD 25 per barrel at this oil price.

Lundin Petroleum generated a net profit after taxes for the 12 months ended 31 December 2008 of MSEK 310.3 (MUSD 60.4), operating cash flow for the period of MSEK 4,092.1 (MUSD 625.8) and earnings before interest, tax, depreciation and amortisation (EBITDA) of MSEK 3,878.4 (MUSD 592.3).

Reserves

I am very pleased that our strategy to increase reserves through proactive exploration and exploitation drilling is showing tangible success. Whilst we have consistently increased reserves over the last five years, our performance in 2008 was exceptional, with an increase in total proven and probable reserves of 26 percent to 217.5 MMboe. This represents a reserve replacement ratio of 394 percent or almost four barrels replaced for every one produced. This reserves increase does not include the Luno discovery where, following the results of the recent appraisal well, we expect to be able to book reserves. I am confident that this positive trend of reserve replacement will continue as our contingent resources continue to increase from the exploration successes in Norway and Russia.

Production

Production for 2008 averaged 31,700 boepd. The Alvheim field was the major reason for production increases in the second half of 2008. The performance of Alvheim field has exceeded expectations and well capacity is currently significantly in excess of the capacity of the Alvheim Floating Production Storage Offloading vessel (FPSO). We have now reached plateau production of approximately 14,000 boepd net to Lundin Petroleum which is expected to continue throughout 2009.

Forecast production for 2009 is 35,000 to 42,000 boepd which is a 10 to 32 percent increase over 2008 levels. 2010 production will increase further as a result of the first full year of production from the Volund field, offshore Norway which is expected to commence production in late 2009.

Exploration

2008 was a very successful year for us with a number of successful exploration wells.

LETTER TO SHAREHOLDERS

The highlight was the Morskaya oil discovery in the Russian sector of the Caspian. We calculate that the discovery which is 130 km^2 in areal extent contains a mid case of 230 million barrels of recoverable oil within the Lagansky Block. We are working very closely with Gazprom in respect of our Caspian interests and plan in 2009 to drill a further exploration prospect Petrovskaya which contains potential resources of 300 MMboe. This low risk prospect is updip and on trend with the Morskaya discovery.

In Norway, Pi North was an exploration discovery in PL292 close to existing infrastructure. We successfully appraised the Nemo discovery in 2008 and were pleased with the results of the Luno appraisal well. The Luno field and the exploration potential in the Luno extension as well as adjoining blocks is very exciting and will in my opinion lead to a material new development on the Norwegian Continental Shelf. We have an aggressive exploration programme in Norway in 2009 with nine wells and a particular focus on the Alvheim and Luno areas.

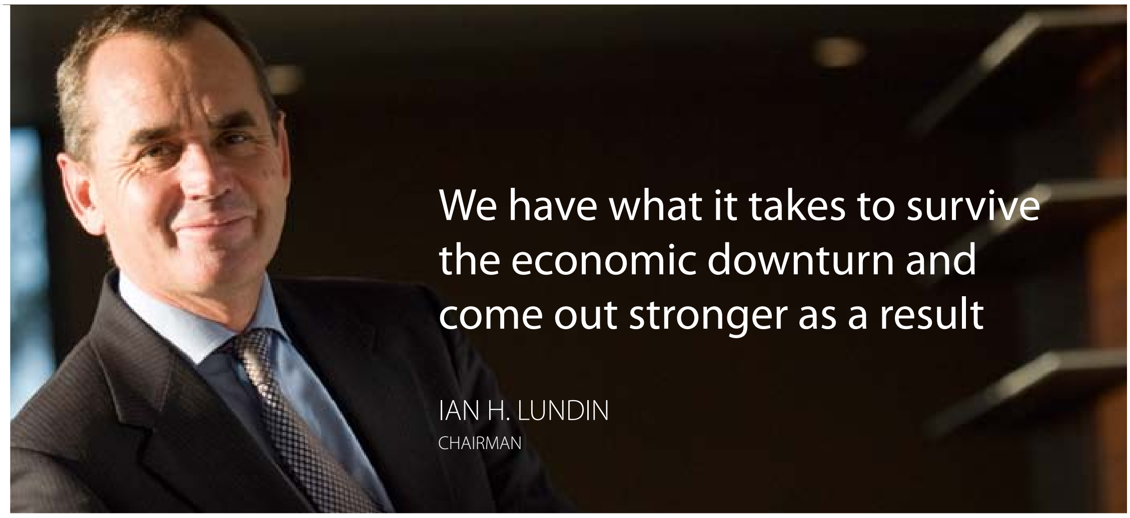
Our Sudan drilling campaign in 2008 was disappointing with three dry holes. The nature of the oil business is that we will drill dry holes, the costs of which, under accounting rules have to be expensed. However if we continue to drill successful exploration wells such as Morskaya and Luno then, despite having no immediate effect on our profitability, our reserves will increase and thus ensure a healthy growth profile and value creation for our company.

The current economic climate results in challenging times for all industries including the oil business. There are a number of interesting acquisitions currently available in the market but with the limited availability of capital it is difficult to execute such opportunities. Lundin Petroleum will come through this economic downturn as a stronger company and our asset base will put us in a good position to benefit from any recovery. People remain the key asset for us; we cannot and will not compromise on ensuring that we retain a talented workforce. I would like to thank all our shareholders for their continued support and patience.

Yours sincerely,

C. Ashley Heppenstall
President and CEO

WORDS FROM THE CHAIRMAN



Dear fellow shareholders,

It is often stated in dealing with life's problems that what does not kill you makes you stronger. That couldn't be more true in respect of the current problems facing the world economy.

2008 marked the beginning of a global economic meltdown not witnessed since the Great Depression of the 1930's. The price of commodities and crude oil are closely linked to economic growth. Economic slowdown means lower commodity prices, and a steep economic downturn results in dramatically reduced commodity prices. That in a nutshell explains what has happened to the price of oil. I will not go into the reasons for the economic woes other than to say that the impact of leverage and people spending beyond their means is in my opinion at the root of the problem. So while the global economy recovers from the hangover that was created by years of excess and easy credit, only the strong companies will survive, or as Warren Buffett said; "those without bathing suits will be left exposed as the tide goes down". Sound financial management is always important but it is the very key to survival in difficult times. It is also crucial to stick to core competencies and focus on the areas where we have competitive advantages.

By sticking to these principles Lundin Petroleum has managed to keep building its reserves and production base in good times and bad. Although the start-up of the Alvheim field in Norway was delayed to June 2008, it is now on stream and a major contributor to our production and cash flow. Norway became the company's single largest producing unit as a result of Alvheim reaching its plateau in the fourth quarter of 2008. We expect to see the production in Norway to continue to grow in 2009 with Alvheim operating at plateau rates and the Volund field coming on stream later in the year.

The discovery of the Luno field on PL338, offshore Norway further highlights the strength of Lundin Petroleum in Norway. This is a major new discovery with significant upside in the adjoining blocks which our team has generated internally. While Norway will be the back bone of future production growth for the Company, there are some very valuable assets with established reserves in other parts of the world such as in United Kingdom, France and Russia which provide Lundin Petroleum with a very solid foundation for additional growth. In the north Caspian, offshore Russia we have demonstrated that we can operate in a challenging regulatory system and environmentally sensitive region.

So, am I worried about a prolonged period of global economic turmoil? YES.

Will fossil fuels continue to dominate the global energy scene when the economy recovers? YES.

Do we have what it takes to survive the economic downturn and come out stronger as a result? YES.

Our business model is predicated on building our production while not only replacing our reserves base but actually increasing it.

Our reserves increased again last year by 26 percent prolonging a five year period of continuous increases. In the long-term our survival will be based on our ability to find new fields. We have a proven track record in that regard in both Russia and Norway, but we have also built up a very interesting exploration portfolio in South East Asia over the last two to three years. Although this portfolio is a result of a recent push into that part of the world, it is not the first time that the management of Lundin Petroleum has operated in the area. Our predecessor company Lundin Oil was bought by Talisman Energy in 2001 in order for Talisman to get access to our Malaysian/Vietnamese assets. This is one of Talisman's most important producing areas today. I believe we can repeat such successes not only by making the initial discoveries but by seeing them through to production, a process which can take more than ten years and requires both financial and emotional strength. Although the ultimate payout for the shareholders will come by way of an acquisition of the company, our objective is to continue to build Lundin Petroleum into a significant force in the upstream sector of the oil and gas industry. Our management and staff are driven not only by financial rewards but by the ability to make a difference. I know our senior management share my drive to build a successful independent company and are ready to accept the challenge despite the current tough environment. This will not be possible without your, fellow shareholders, continued support.

Thank you.

Yours 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 aspects of the upstream 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. Where 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 have been 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. When 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. When 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 upstream 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 this cycle. Our objective is to increase our licences, prospective resources, contingent resources, reserves and production to generate increased shareholder value.

RESERVES AND RESOURCES

EXPLORATION		DEVELOPMENT		PRODUCTION	
PROSPECTIVE RESOURCES		CONTINGENT RESOURCES		2P RESERVES	
2008	2009	2008	2009	2008	2009
3.1 Bn boe	**2.7 Bn boe**	**188.3 MMboe**	**294.3 MMboe**	**184.2 MMboe**	**217.5 MMboe**
-13%		**+56%**		**+26%***	

Note: Reserves and resources are published as per 1 January each year

* adjusted for 2008 production

Reserves

Lundin Petroleum calculates reserves and resources according to 2007 Petroleum Resources Management System (PRMS) Guidelines of the Society of Petroleum Engineers (SPE), World Petroleum Congress (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE). Lundin Petroleum's reserves are certified by Gaffney, Cline and Associates (GCA), an independent reserves auditor.

As of 1 January 2009, Lundin Petroleum has 217.5 million barrels of oil equivalent (MMboe) of proven and probable (2P) oil and gas reserves. This is an increase of 26 percent when compared to last year, taking into account production of 11.6 MMboe in 2008. The reserves replacement ratio, which is calculated by dividing the increase in reserves during 2008 by the production in 2008 is 394 percent. In other words, every barrel produced in 2008 has been replaced by almost 4 barrels of 2P reserves.

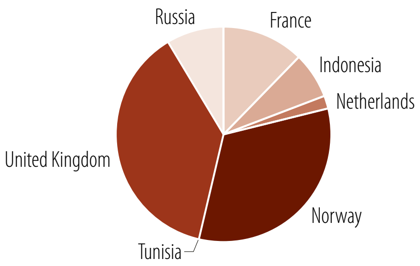
Lundin Petroleum has a strong record of increasing reserves over the years. In January 2003, Lundin Petroleum had 56.8 MMboe of 2P reserves. Since that date Lundin Petroleum's reserves have increased to 217.5 MMboe with an overall reserves replacement of 357 percent including acquisitions.

In 2008 the major reserves increase has been in the United Kingdom. During 2006 and 2007 3D seismic was acquired over the Heather and Thistle fields. Re-development plans have been matured for these fields, which together with the positive result of an infill well on the Broom field in 2008 resulted in a 67 percent reserves increase.

In Norway Lundin Petroleum's reserves increased with 29 percent, mainly as a result of confirming the economic viability of the Nemo development project, which moved 11 MMboe from contingent resources to reserves. Reserves further increased in the Alvheim and Peik fields respectively.

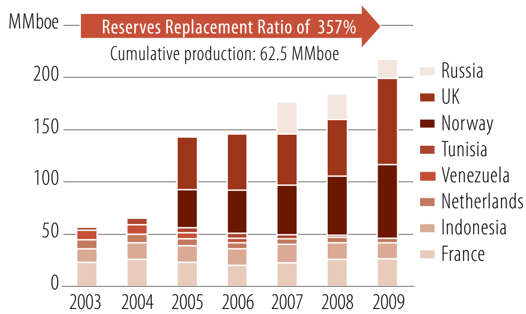
In Russia the net 2P reserves decreased by 18 percent. Low oil price and high transportation costs have resulted in lower

Proven and Probable Reserves

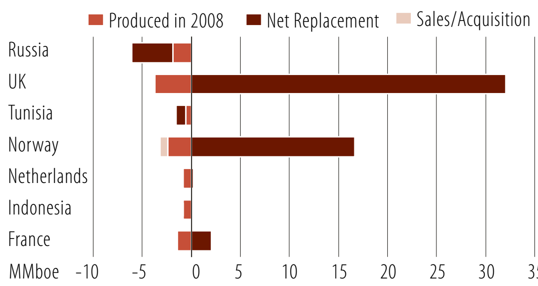


Proven and Probable Reserves
217.5 MMboe at 1 January 2009

Reserves Growth



Reserves Changes



revenue in the Kalmykia and Orenburg assets. Investment decisions have therefore been postponed resulting in a reserves decrease. This has partially been offset by an increase in reserves in the assets in the Komi Republic, where successful exploration and infill drilling resulted in an increase of 5.5 MMboe of 2P reserves.

Contingent resources

In addition to its certified reserves, Lundin Petroleum has a number of discovered oil and gas resources which classify as contingent resources. We have an active work programme to mature contingent resources into reserves.

As of 1 January 2009 Lundin Petroleum has an estimated 294 MMboe of contingent resources. During 2008 some 46 MMboe of contingent resources in the Nemo, Heather, Broom, Thistle, Peik and Grandville fields were matured into 2P reserves. The move of contingent resources to reserves was however replaced by new contingent resources in the Heather, Broom and Thistle fields.

The main increase in contingent resources resulted from the successful Morskaya-1 exploration well drilled in the Russian part of the Caspian in 2008. The Morskaya discovery has an estimated gross recoverable resource range of 110 to 450 MMboe.

In Norway the Luno discovery was successfully appraised in early 2009. Luno currently holds gross contingent resources in the range of 65 to 190 MMboe. Prior to classifying the Luno resources as 2P reserves the drilling and test results as well as ocean bottom seismic results acquired in 2008 will be incorporated into the subsurface models.

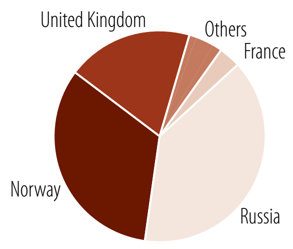
Prospective resources

Lundin Petroleum has a large portfolio of exploration licences. As of 1 January 2009 and based on internal estimates these licences could contain some 2.7 billion boe of unrisked prospective resources net to Lundin Petroleum. The largest part of these resources is situated in Norway.

Since 2002 Lundin Petroleum has drilled 24 exploration wells (excluding continued exploration drilling on small structures in the Salawatis in Indonesia). Of these 24 wells, 5 wells (21 percent) have resulted in commercial discoveries and have added some 207 MMboe net to Lundin Petroleum's reserves and contingent resource portfolio. The average finding cost over the period has been USD 4.0 per barrel.

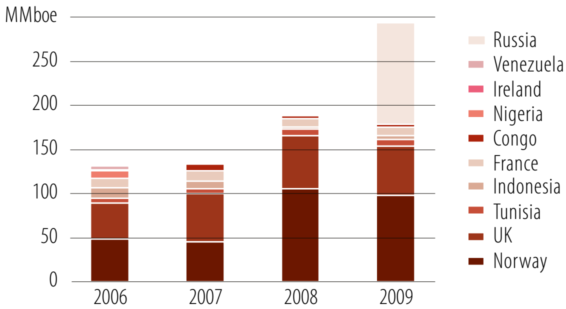
In 2009 Lundin Petroleum is planning to drill (operated and non-operated) 15 exploration wells targeting in total 843 MMboe of net unrisked prospective resources. Nine of these exploration wells are in Norway targeting gross potential unrisked resources of 512 MMboe. The largest prospect to be drilled in 2009 is Petrovskaya-1, situated in the Russian part of the northern Caspian with an estimated gross unrisked prospective resource of 300 MMboe.

Contingent Resources

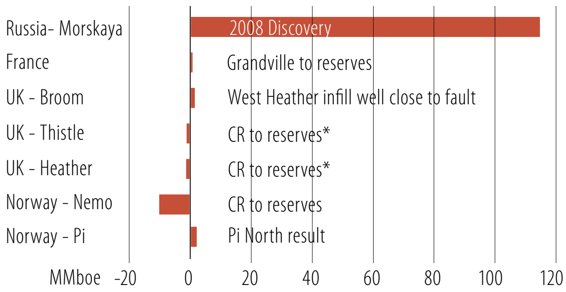


Contingent Resources Internal Estimate
294 MMboe net Lundin Petroleum

Contingent Resource History

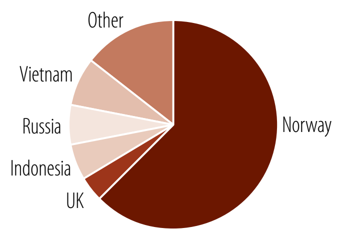


Contingent Resources Changes



* Increased contingent resources due to study results

Prospective Resources



Risked Prospective Resources Internal Estimate
2.7 Bn boe unrisked net Lundin Petroleum

MARKET OVERVIEW

The crude oil price has fallen to around USD 40 per barrel for Dated Brent compared to a high of USD 147 during 2008 as demand for crude has fallen

The oil and gas industry is caught firmly within the current global economic crisis. At year-end the crude oil price has fallen to around USD 40 per barrel for Dated Brent compared to a high of USD 147 during 2008 as demand for crude has fallen. On the back of four years of increasing oil prices, costs in the industry have risen significantly. However, the recent oil price collapse has not yet resulted in a similar fall in costs. The credit crisis has resulted in downward pressure on share prices as investors seek ways to free up liquidity and has seen the banking market close for new business as the banks struggle for their own survival.

Financial markets

The collapse of the sub-prime loan markets has caused losses to the banking industry of an estimated USD 1.5 thousand billion. The losses that have been incurred have been compounded by additional losses incurred on various banking derivative products created on the back of the sub-prime mortgages and traded between the banks in the range of six to eight times. The liquidity that has been removed from the financial markets through the collapse of the sub-prime loan markets has caused a follow on collapse of the world economy.

This decade had seen worldwide GDP growth at an average of almost 4.5 percent per annum with strong contributions from the Middle East and developing Asia. The collapse of the Western markets has eroded the demand for the manufactured goods upon which this growth was based. 2009 is seeing Western countries enter into recession and the World Bank is forecasting that China's growth, which has averaged almost 10 percent per annum this decade, will reduce to 6.5 per cent per annum reducing the demand for raw materials.

This decline in growth has had a significant impact upon the oil markets.

Crude oil

The price of crude oil has risen steadily over the past four years culminating in a record high of USD 147 per barrel for Dated Brent in July 2008. Following the collapse of the world's financial markets the oil price has fallen to around USD 40 per barrel for Dated Brent.

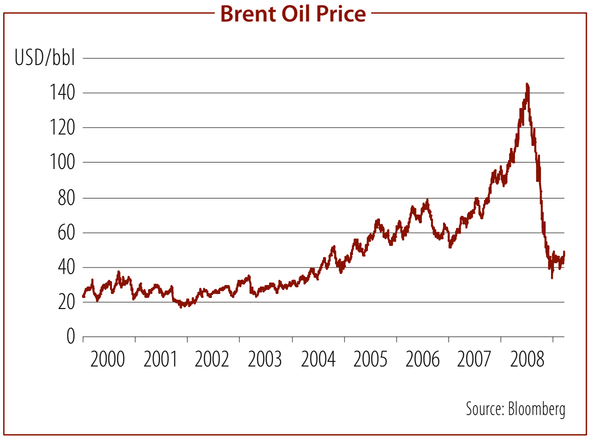
The oil price is primarily a product of the economic principle of supply and demand but it is also affected by other influences. Oil demand grew by 9.3 million barrels of oil per day from 2000 to 2007 and oil production for 2008 amounted to approximately 85.5 million barrels of oil per day. Whilst oil supply increased during this period to meet the demand, concerns that the world's oil production was approaching the maximum levels at which the industry could produce and process the product created a market environment where future oil prices were traded at a higher level than the price on the spot market. Forward oil prices were further increased by financial speculation on the rising oil prices.

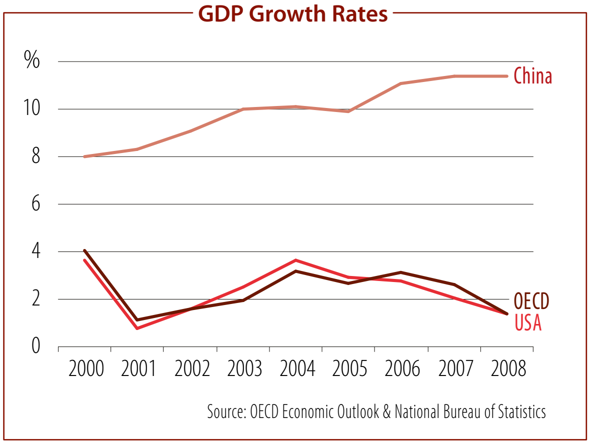
The lower demand for crude oil has created downward pressure on the crude oil price and the fall in price has been exacerbated by the departure of the financial speculation within the pricing model.

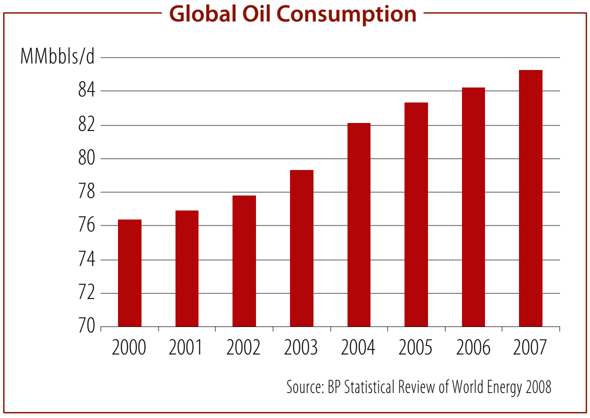
OPEC, which accounts for approximately 40 percent of the world's crude oil production, has announced its intention to reduce its oil production by around 4.2 million barrels of oil per day with the intention of controlling supply to keep the oil price within a range of USD 50 to USD 70 per barrel.

Costs

The high commodity prices achieved over recent years have lead to cost increases in addition to the normal rates of inflation. The increased revenues generated on the back of the higher commodity prices have lead to an increase in the level of investment in oil field developments and







exploration by the oil industry. But this investment has been through an oil service sector that had been lacking in investment in its own infrastructure over the previous decades resulting in increased competition amongst oil companies for the limited resources available, both equipment and manpower. The competition to secure drilling rigs for future work commitments or field developments has forced companies to secure the rigs several years in advance at today's inflated day rates. Similarly, a lack of skilled people has caused contract day rates to increase significantly.

The lower revenue streams generated on the back of the lower commodity prices and the lack of equity and debt funding has led companies to cut back on investment activities, particularly projects that are not sustainable at today's oil prices. This lack of investment will free up the competitive pressure on the service sector and the costs will begin to decrease but it will take time and costs will not return to the levels that they were at the last time that crude oil traded at its current level.

The higher revenues generated from the higher commodity prices have also been acted upon by host governments with the introduction of increased tax rates or requests to renegotiate the underlying Production Sharing Contract (PSC).

Equity markets

The collapse of the world's financial markets and the ensuing recessionary pressures has had a significant impact upon the world's equity markets. The Nasdaq OMXS index has fallen 45 percent since its high in June 2008 and the Nasdaq has fallen 50 percent in the same period. The sustained strong economic growth over the past three decades has seen a strong confidence in investments in equity markets with investors willing to take highly leveraged positions in the certainty that gains on shares would outweigh the cost of financing. The current economic crisis has led to uncertainty in these share investments because the full extent of the economic downturn has not yet been felt in the world markets and there is a concern for the level of losses that remain to be revealed. This uncertainty has caused investors to sell shares to repay their debt positions and to transfer their investments into more traditional investment safe havens of government guaranteed bonds or gold backed assets. Investors will need to feel that they fully understand a company's assets and future earnings before they begin to invest in shares again.

In addition to a lack of investor confidence in investing in the stock exchange, there is also a lack of funding available for the bond market. Bonds are one of the alternatives for funding in the oil and gas industry but this source of financing has disappeared in the current economic environment creating significant refinancing risk for companies that have existing bonds maturing in the near term.

Bank finance

The collapse of the world banking system has been well documented in the international press. The direct losses incurred as a result of the sub-prime mortgages has been calculated at around USD 1.5 thousand billion but with the repackaging and onselling of derivative products based upon the sub-prime mortgages the losses are many times this amount. Some banks have gone bankrupt as a result of the losses, such as the highly publicised failure of Lehman Brothers, but other banks have been saved from this outcome by either direct investment by governments or by their promise of guaranteed funds or financial products.

The banking market is dependent upon the ability to lend and borrow funds to each other within the banking system as liquidity needs dictate. Following the losses detailed above, the banks have experienced a severe liquidity crisis and interbank lending has been substantially reduced as banks either hesitate to assume the counter party risk associated with lending to another bank or hold the funds themselves to protect their own liquidity position.

With one or two notable exceptions, bank lending to the independent sector of the oil and gas industry has ceased. Banks are limiting their business to servicing existing client relationships and the cost of financing is significantly higher than it was twelve months ago.

Lack of investment

The current world economic situation has hit companies' liquidity twofold, firstly through a lack of funding from the capital markets and secondly from the generation of lower operating cash flow. The lack of access to cash flow is resulting in a reduction in investment in the industry. Marginal developments are being deferred or cancelled and exploration expenditure is being cut. The medium to long term effect of this cut in investment is that it reinforces the boom or bust cyclical nature of this industry. Over time the recessionary pressures that are affecting the world economies will ease. Demand for products will generate growth but the ability to provide energy for this growth will be severely impacted by the lack of investment now. New projects that were scheduled to come on stream over the next few years will be delayed, if developed at all, limiting the ability to meet production needs as demand grows. The ensuing short supply of crude oil production and infrastructure could force oil prices back up to peak 2008 levels, if not beyond.

Lundin Petroleum currently has two loan facilities totaling USD one billion. The secured revolving borrowing base facility of USD 850 million is syndicated to 19 international banks and the unsecured corporate facility of USD 150 million is shared by three banks. The banks providing the loan facilities are obligated to fund the loans should Lundin Petroleum decide to draw them.

Lundin Petroleum's existing financing, which was put in place at the end of 2007, along with the operating cash flow generated from its operations, is sufficient to fund its capital programme through the coming years at the current oil price levels. The capital programme includes exploration expenditure in addition to the capital expenditure necessary to maintain the forecast production profiles because it is important that Lundin Petroleum not only continues through these difficult economic times but also is in a position to grow as the world economies begin to pick up. Lundin Petroleum continues to closely monitor developments in the economic areas that affect the business and is well placed to adapt to market changes as they may present themselves over the coming year.

OPERATIONS HIGHLIGHTS

Lundin Petroleum has a proven track record of finding, developing and producing oil and gas reserves

ALEXANDRE SCHNEITER
EXECUTIVE VICE PRESIDENT & COO

The Alvheim field in Norway came on stream in June 2008. The Volund field is expected to commence production via the Alvheim FPSO in 2009

A major oil discovery was made on the Morskaya prospect in the Caspian, Russia

Significant exploration and appraisal successes were made in Russia, Norway and Indonesia

OPERATIONS – EUROPE

NORWAY – KEY DATA	
Reserves (MMboe)	70.5
Contingent resources (MMboe)	97.4
Unrisked prospective resources (MMboe)	1,527.0
2008 average production per day (Mboepd)	6.5
Net turnover (MSEK)	1,446.9
Sales price achieved (USD/boe)	90.45
Cost of operations (USD/boe)	8.48
Operating cash flow contribution (USD/boe)	113.60 [1]

[1] Includes tax refund

NORWAY

Norway is one of the principal areas of operation for Lundin Petroleum. The existing portfolio of licences comprises the full spectrum of exploration, appraisal and producing assets.

The Alvheim development project (Working Interest (WI)15%) came on stream in June 2008. Alvheim was one of the largest oil development projects in recent years in Norway with gross reserves of approximately 220 MMboe and gross plateau production of above 90,000 boepd. Gas export through the SAGE system to the United Kingdom commenced in July 2008. Phase 1 of the Alvheim project has been successfully completed and Phase 2 which involves the drilling of three additional multi-lateral wells is expected to be completed in 2010.

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.

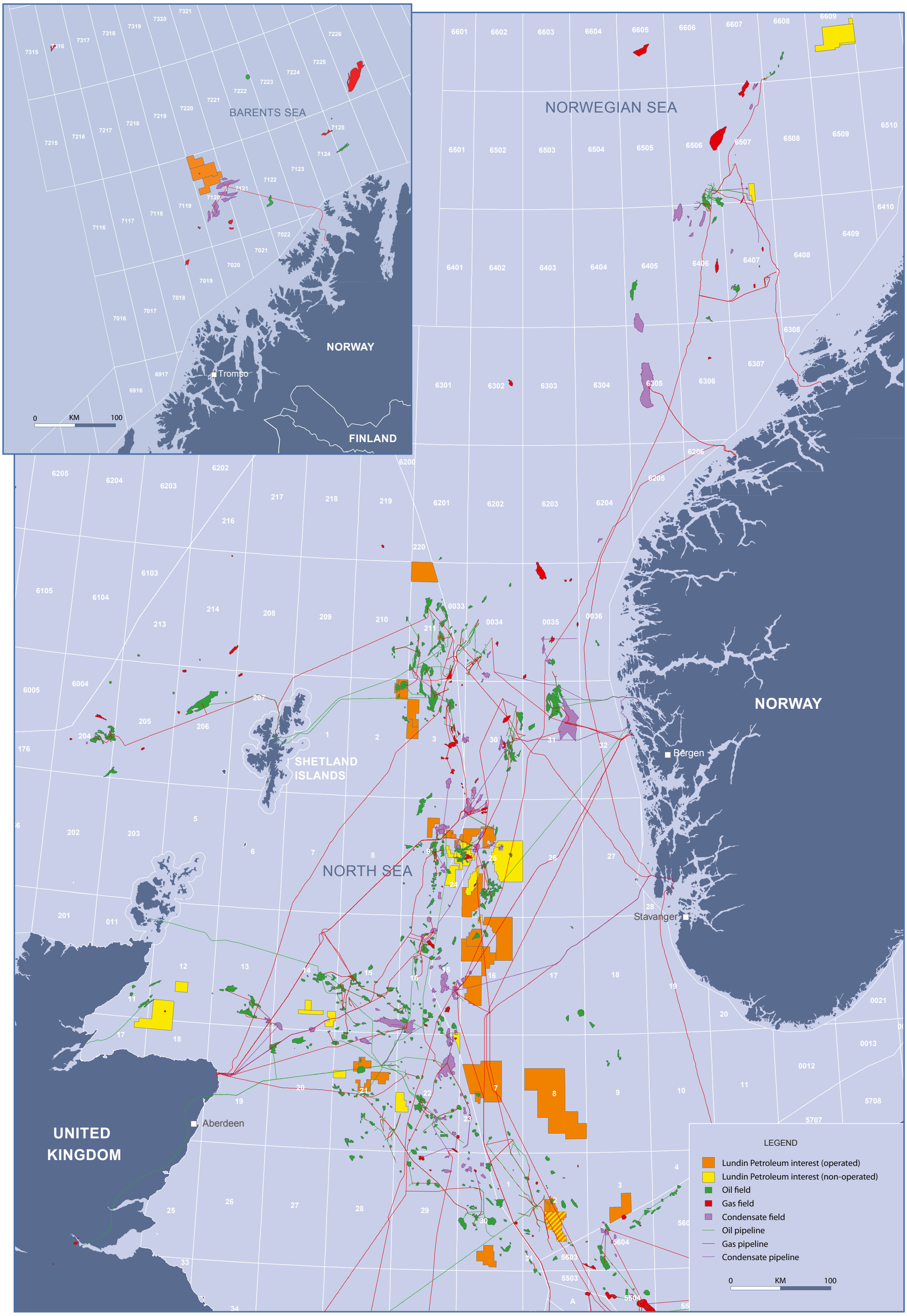
The Volund field (WI 35%) is located to the south of Alvheim and is a sub-sea tieback to the Alvheim FPSO. The development consists of four wells and drilling started in early 2009. The field is expected to come on stream in late 2009 and gross plateau production is forecast to be approximately 23,000 boepd.

The Luno exploration well in licence PL338 (WI 50%), operated by Lundin Petroleum, was successfully drilled as an oil discovery in late 2007. The first appraisal well was completed in early 2009 and has confirmed the extension of the Luno field to the north east. The well tested at flow rates of 4,000 bopd. The size of the discovery is estimated at between 65 MMboe and 190 MMboe. Further technical analysis indicates that the existing Luno discovery could be part of a larger accumulation that extends into a number of adjacent licences where Lundin Petroleum also has major acreage positions (PL359, PL410 and PL501). A drilling programme for 2009/2010 will test this concept.

The Nemo discovery on PL148 was successfully appraised in 2008 and oil was encountered as predicted in the Ula formation. Gross recoverable proven and probable reserves are 22 MMboe. There are further contingent resources in Norway with a number of undeveloped discoveries in the portfolio. Development options are currently being reviewed.

The Pi North exploration well on PL292, completed in 2008, was a successful oil and gas discovery and tested 4,700 bopd from the oil zone. The Pi field is estimated to contain gross resources of 19 to 32 MMboe and is close to existing infrastructure which will facilitate a timely development of the discovery. Development options are also currently being reviewed.

Rig capacity has been secured which will result in a continued active exploration drilling programme in Norway over the coming years.


BARENTS SEA
NORWAY
Tromsø
FINLAND
NORWEGIAN SEA
NORWAY
Bergen
Stavanger
SHETLAND ISLANDS
NORTH SEA
UNITED KINGDOM
Aberdeen
LEGEND
Lundin Petroleum interest (operated)
Lundin Petroleum interest (non-operated)
Oil field
Gas field
Condensate field
Oil pipeline
Gas pipeline
Condensate pipeline
0 KM 100

UNITED KINGDOM

The United Kingdom consists of both mature producing fields and exploration assets. The mature fields comprise Thistle (WI 99%) and Heather (WI 100%), and the Broom sub-sea development (WI 55%) which is tied back to the Heather platform. A successful infill well was completed on the Broom field and came on stream in April 2008 adding recoverable reserves of 3.8 MMboe to the field. The Broom field will extend the life of the Heather field providing substantial production and reserves.

Two 3D seismic acquisition programmes were recently completed over the Broom/Heather fields and the Thistle field. Interpretation and detailed subsurface studies have identified a number of sub-surface drilling targets. In recent years investments into the 1970's Thistle and Heather platforms has paved the way for such future redevelopment activity. In particular reinstatement of the drilling capability of both platforms allows for infill programmes to commence when economic conditions allow.

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

UNITED KINGDOM – KEY DATA	
Reserves (MMboe)	82.1
Contingent resources (MMboe)	56.3
Unrisked prospective resources (MMboe)	98.0
2008 average production per day (Mboepd)	10.2
Net turnover (MSEK)	2,280.8
Sales price achieved (USD/boe)	96.41
Cost of operations (USD/boe)	42.19
Operating cash flow contribution (USD/boe)	48.77

IRELAND

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

The exploration programme includes seismic acquisition.

IRELAND – KEY DATA	
Unrisked prospective resources (MMboe)	29.0

FRANCE

The French fields are mature production assets which have been on stream for many years. In the Paris Basin (WI 33.3-100%) and Aquitaine Basin (WI 50%), cost effective drilling intervention and work over activities are ongoing to maintain production levels. With successful water injection techniques, so called cold water fracs, improved performance have been achieved in several fields in the Paris Basin, leading to increases in production rates and reserve base.

Facilities and infrastructure are in place with excess capacity to enable a rapid development of new reserves.

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

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

FRANCE – KEY DATA	
Reserves (MMboe)	26.4
Contingent resources (MMboe)	9.9
Unrisked prospective resources (MMboe)	28.0
2008 average production per day (Mboepd)	3.8
Net turnover (MSEK)	819.0
Sales price achieved (USD/boe)	92.63
Cost of operations (USD/boe)	13.75
Operating cash flow contribution (USD/boe)	48.97

NETHERLANDS

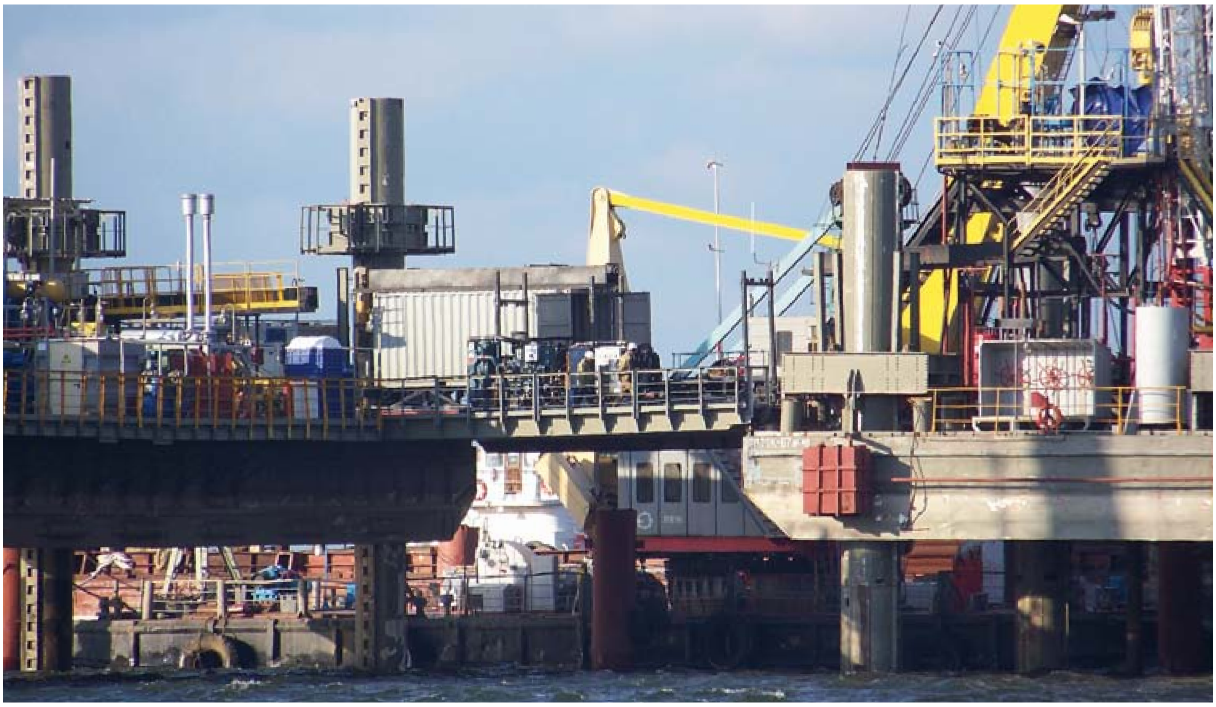
The Netherlands is a mature gas province providing Lundin Petroleum with stable, long term onshore and offshore production. The production is generated from non-operated interests. Although most of the producing fields are mature, additional infill drilling and development opportunities are actively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

The K5F gas production came on stream in September 2008.

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

NETHERLANDS – KEY DATA	
Reserves (MMboe)	4.3
Unrisked prospective resources (MMboe)	6.8
2008 average production per day (Mboepd)	2.3
Net turnover (MSEK)	398.2
Sales price achieved (USD/boe)	70.90
Cost of operations (USD/boe)	11.43
Operating cash flow contribution (USD/boe)	44.71

OPERATIONS – RUSSIA



RUSSIA

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

Production is generated from four oil fields, 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 north Caspian area, close to major world class hydrocarbon discoveries.

Two exploration wells were drilled on Lagansky during 2008, on the Morskaya and Laganskaya prospects. The Morskaya-1 well resulted in a significant oil discovery whereas the Laganskaya-1 well found a non-commercial oil accumulation.

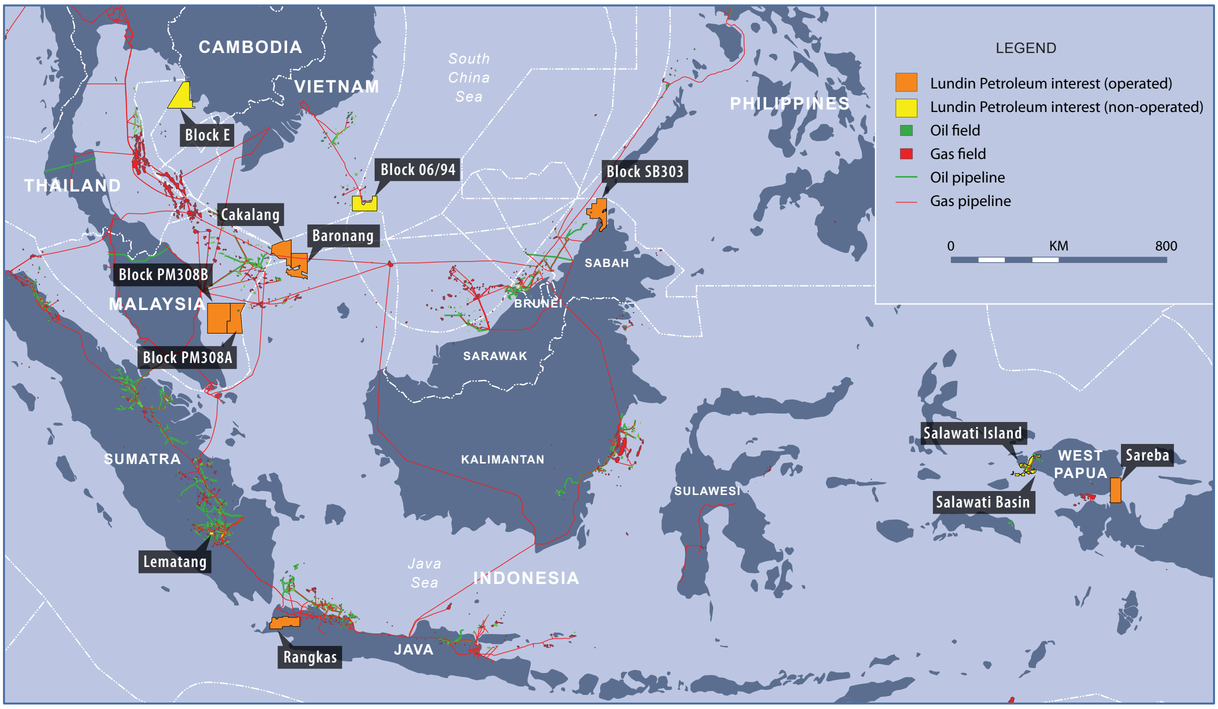
The Morskaya discovery contains good quality oil with estimated resources in the range of 110 to 450 MMboe on block. Appraisal drilling on the Morskaya field will take place in 2010. In the meantime new 3D seismic data will be acquired and interpreted and will give a better understanding of the nature of the structure.

A third prospect has been identified in the block, the Petrovskaya prospect, which is planned to be drilled in 2009. The play concept for this prospect is the same as has been successfully drilled in Morskaya and neighbouring fields.

An option agreement in relation to the Lagansky Block was signed in July 2007 with JSC Gazprom ("Gazprom") whereby Gazprom acquired 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, upon completion, 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.

RUSSIA – KEY DATA	
Reserves (MMboe)	18.6
Contingent resources (MMboe)	115.0
Unrisked prospective resources (MMboe)	149.0
2008 average production per day (Mboepd)	5.0
Net turnover (MSEK)	816.3
Sales price achieved (USD/boe)	62.85
Cost of operations (USD/boe)	8.52
Operating cash flow contribution (USD/boe)	9.82

OPERATIONS – SOUTH EAST ASIA



INDONESIA

Production in Indonesia is generated from non-operated assets in Salawati Island and the Salawati Basin located on Papua. An active exploration programme is ongoing within these licences in order to maintain production levels. South East Walio-1 in the Salawati Basin was a significant oil discovery in late 2008. The discovery well has been put on production and further appraisal wells are planned in 2009.

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.

New exploration licences, Baronang, Cakalang and Rangkas were signed in 2008.

INDONESIA – KEY DATA	
Reserves (MMboe)	15.2
Contingent resources (MMboe)	4.5
Unrisked prospective resources (MMboe)	134.0
2008 average production per day (Mboepd)	2.3
Net turnover (MSEK)	293.7
Sales price achieved (USD/boe)	92.92
Cost of operations (USD/boe)	20.77
Operating cash flow contribution (USD/boe)	13.76

VIETNAM

Lundin Petroleum has a 33.33 percent working interest in Block 06/94 in the Nam Con Son Basin, offshore southern Vietnam. There are a number of oil and gas discoveries in the basin and the block contains some significant prospects.

The acquisition of the 3D seismic has been completed in the block and the first exploration well will be spudded on the Tuong Vi prospect in 2009.

VIETNAM – KEY DATA	
Unrisked prospective resources (MMboe)	182.0

MALAYSIA

In 2008 Lundin Petroleum signed Production Sharing Agreements (PSA) for Blocks PM308A (WI 35%), PM308B (WI 75%) and SB303 (WI 75%). A 2D seismic acquisition programme was completed in SB303 in 2008 and 3D seismic will be acquired in each of the blocks in 2009.

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. The area is under explored with little seismic data and no exploratory drilling.

In 2008 3D seismic data was acquired and is currently being interpreted.

OPERATIONS – AFRICA

TUNISIA

The Oudna field (WI 40%) came on stream in November 2006. The field is producing at relatively stable rates of approximately 4,000 bopd, gross, despite late life and high water cut.

The Oudna field consists of a single production well supported by a single water injection well, both tied back to the Ikdam FPSO. Reservoir pressure is maintained by water injection and artificial lift is provided by a crude oil powered jet-pump.

TUNISIA – KEY DATA	
Reserves (MMboe)	0.4
Contingent resources (MMboe)	7.9
Unrisked prospective resources (MMboe)	18.0
2008 average production per day (Mboepd)	1.6
Net turnover (MSEK)	335.2
Sales price achieved (USD/boe)	116.22
Cost of operations (USD/boe)	22.42
Operating cash flow contribution (USD/boe)	63.45

CONGO (BRAZZAVILLE)

Lundin Petroleum has an 18.75 percent interest in Block Marine XI and 21.55 percent working interest in the adjoining Block Marine XIV, offshore Congo (Brazzaville).

Previous exploration activity on the Block Marine XI has resulted in four small oil discoveries. All discoveries are situated near existing facilities and in shallow water. Interpretation of the 2006 3D seismic survey has been finalised and resulted in an improved understanding of the existing discoveries and definition of drilling targets. Drilling is planned to commence during 2009 with two wells. The first well is expected to be an appraisal of the Viodo discovery followed by an exploration well targeting a post-salt Sendji level prospect.

The partnership is currently acquiring 3D seismic data over Block Marine XIV as part of a farm-in commitment with one exploration well scheduled to be drilled during 2010.

CONGO – KEY DATA	
Contingent resources (MMboe)	3.2
Unrisked prospective resources (MMboe)	4.6

SUDAN

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 southern part of the prolific Muglad Basin. Although a number of large prospects were identified from seismic data, the three wells drilled in 2008 were all dry holes. With all work commitments now satisfied the partnership is considering whether or not to enter into a second exploration phase which begins in May 2009.

ETHIOPIA

Lundin Petroleum has two Production Sharing Contracts (PSCs) in the Ogaden Basin (WI 85%) and one in the Adigala Area (WI 50%), onshore Ethiopia.

There has been a limited amount of exploration activity in the Ogaden Basin. Although the area is relatively under explored, the historical exploration of the Ogaden Basin has demonstrated a working petroleum system with proven source and reservoirs.

In February 2009 Lundin Petroleum announced the signing of an agreement for the sale of its Ethiopian assets. The deal is subject to various approvals.

KENYA

Lundin Petroleum has a 100 percent working interest in Block 10A in the Anza Basin, onshore Kenya. Block 10A is under-explored, but historical well and seismic data indicate that a working petroleum system is present. Aerogravity studies have been successfully completed during 2008.

A 30 percent working interest was acquired in the adjoining Block 9 where an exploration well is planned to be drilled on the Bogal prospect during 2009.

In February 2009 Lundin Petroleum announced the signing of an agreement for the sale of its Kenyan assets. The deal is subject to various approvals.

CORPORATE RESPONSIBILITY

Corporate Responsibility focuses on the way Lundin Petroleum conducts its operations

Ensuring the health and safety of employees

Providing environmental stewardship

Engaging with local communities

Corporate Responsibility at Lundin Petroleum means finding ways to improve the Company's accomplishments. The Company's vision, as stated in its Code of Conduct is to "strive to continuously improve our performance and to act in accordance with good oilfield practice and high standards of corporate citizenship."

The challenge which Lundin Petroleum has set for itself is to find and produce increasing amounts of oil and gas, while being cost efficient, preserving the health and safety of its staff and contractors, protecting the environment and contributing to improve the socio-economic wellbeing of host countries and communities.

In order to meet this challenge, Lundin Petroleum has put in place a number of policies and procedures which guide its staff at all stages of activities.

Corporate Responsibility framework

Lundin Petroleum has continued to grow in 2008. This has resulted in an increased number of employees, of countries of operations and interests, as well as of the types of challenges faced. In this context, it remains all the more important to ensure that the values and principles by which the Company is guided are shared and understood by all.

Active communications and training of staff both at corporate and operational levels took place to reinforce the constituent elements of the framework, namely:

The Code of Conduct

The Code represents the core of Lundin Petroleum's Corporate Responsibility commitment, as its details the Company's Corporate Responsibility Vision, the Values and the Principles by which it is guided, as well as the Responsibilities which the Company has vis-à-vis its main stakeholders, i.e. shareholders, staff, host countries, host communities and the environment.

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

The Corporate Responsibility policies

Every department at Lundin Petroleum has dedicated policies which relate to the different spheres of company activities: operations, financial, human resources, legal compliance, communications, etc. From a Corporate Responsibility perspective, the key policies are:

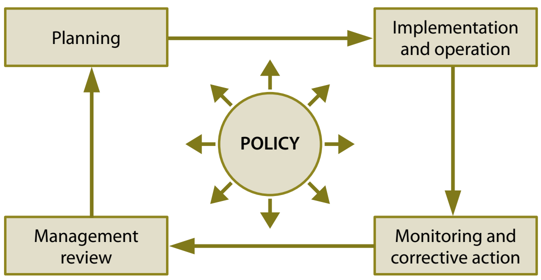
The Health & Safety Policy, which states that "the control and management of health and safety issues commands at least equal prominence, when balanced against operational and commercial considerations".

The Environmental Policy, which underlines "the importance of conservation and the need to minimise the effects of pollution within the scope of its operations".

The Community Relations Policy, which commits the Company "to operate in a way that is consistent with the welfare of neighboring communities".

The Management System

To render its policies operational, Lundin Petroleum's HSE Management System, the Green Book, sets corporate requirements for the systematic and comprehensive integration of HSE issues in the management of the Company's worldwide operations. The Company aims to achieve continuous improvement of its HSE performance, through a process of continuous management which includes planning, implementation, monitoring and review, as depicted in the figure below.



The HSE goals

Lundin Petroleum aims to foster an HSE culture throughout the Group that results in:

- Zero fatalities
- Zero incidents
- Zero harm to the environment

The way to achieve these goals is having in place at all levels of the organisation, adapted procedures, which reflect HSE commitments and best industry practice.

The procedures

There are both corporate and operational procedures in place. Corporate procedures aim to ensure that operations are conducted in a safe and respectful manner. This involves monitoring, reporting and verification procedures. It also aims to ensure business continuity in the event of a problem either at operations or corporate. This involves emergency response/crisis management procedures.

Operational procedures span the whole spectrum of the operations, starting from assessments (environmental, risks, etc.) to permit-to-work, oil spill and emergency response.

All procedures are tested and verified on an ongoing basis, through drills and internal, external and/or regulatory audits.

Developments in 2008

A concerted effort was made in 2008 to reinforce awareness and implementation of the Code, Policies and Procedures.

A Lundin Petroleum Employee Handbook was issued that reproduces the Code of Conduct – which is part of every employee's contract of employment – as well as the Health, Safety, Environment, and Community Relations Policies. All employees were given a copy of the Handbook and all new employees receive an induction which reviews critical elements of the Handbook, to which the employee must agree to comply.

In addition, a Whistleblowing Policy and Procedure was developed to ensure that any employee who has cause to believe that there is a violation of the Company's Code, Policies, Procedures and /or the law, has the ability to bring the concern to the attention of senior management. While Lundin Petroleum hopes that every employee feels free to raise issues in an open and frank manner, it recognises that this may not be possible in all circumstances, and thus affords staff to lodge a concern anonymously. The Whistleblowing Policy and Procedure provides an additional method to the Company for ensuring abidance to its Code of Conduct.

In 2008, there were no cases of alleged violations of the Code of Conduct raised directly and/or through the Whistleblowing Policy.

Corporate Responsibility performance

The test as to the effectiveness of the Corporate Responsibility framework ultimately resides in the Company's performance, the problems it faced group-wide and how it managed them.

HSE Key Performance Indicators (KPIs)

Lundin Petroleum has been tracking the number of Fatalities, Lost Time Accidents (LTA), and Oil Spills (over 1 barrel) since 2004, and introduced reporting of LTA Frequency Rates (LTAFR) (per 200,000 man hours) in 2005. The systematic and consistent tracking and reporting of these KPIs allows the Company to determine its evolution as well as highlight areas of concern. Lundin Petroleum's HSE goals of: zero fatalities, zero accidents and zero spills were only partially achieved in 2008. The table below summarises the data collected over the past four years for its operated assets:

KPI	Fatalities	LTA	LTAFR	Oil Spills
2005	0	2	1.19	1
2006	0	2	0.21	3
2007	0	11	1.02	4
2008	0	1	0.16	13

Achievements

There were no fatalities within the Group, whether among operated or non-operated assets.

There was a clear progression as far as Lost Time Accidents are concerned; with 1 incident[2] and a 0.16 LTA Frequency Rate for its operated assets (4 and 0.18 if counting contractor incidents on Lundin Petroleum assets), Lundin Petroleum clearly establishes itself among the good performers within the industry. This result can be attributed to a combination of factors including the existence and implementation of HSE systems and procedures, as well as a culture fostering HSE awareness and excellence promoted by the introduction of the STOP safety system in Lundin Petroleum's main operated assets.

Area of concern

The number of oil spills, however, has seen a progression since 2005, with 13 spills (over 1 barrel) of which 9 in France and 4 in the UK. The spills did not have a lasting negative impact on the environment due to the limited quantities spilled (the average spill was around 1 barrel), the environment in which it occurred (high seas in the UK break down and disperse such quantities within a few hours) or the speed and effectiveness of the remedial measures put in place (spills in France were contained within the platform and polluted soil removed and disposed of at authorised landfill). None of the spills which occurred were the subject of any regulatory sanctions.

Way forward

As operations continue to increase, Lundin Petroleum is in the process of revising its HSE framework to render it fully aligned with recognised standards like ISO 14001 and OSHAS 18001 and the commitments it made in its Climate Change Statement. A new reporting matrix has been put in place for 2009, which will provide a more comprehensive view of the situation and thus a better tool to plan, implement, monitor and review HSE performance throughout the Group.

Other 2008 performance highlights

This year was an active one from an operational perspective and the absence of significant problems encountered is a reflection of HSE and Corporate Responsibility measures adopted by local management to ensure the safety of the staff and operations.

[2] The incident occurred while the employee participated in a Group outing, rather than in the course of his daily work.

Performance Highlights

Below is an overview of some of the activities undertaken within the Group, which represents the Corporate Responsibility approach in Lundin Petroleum's operations.

Ethiopia

- An Environmental Impact Assessment (EIA) covering all the blocks in the Somali region was undertaken prior to the planned seismic campaign. The EIA established that the planned activities would not impact negatively on the environment.
- Security and Human Rights experts were retained to recommend measures to ensure security of staff and operations, in compliance with the Voluntary Principles on Security and Human Rights.

France

- Anti-pollution plans were developed for all the Soudron wells in order to help prevent or mitigate spills.
- To enhance the safety of sites and operations, additional HSE procedures were put in place for visitors and contractors of the Paris Basin operations.

Indonesia

- An environmental study was initiated at year end, to be carried out by PT Ecotropica, prior to the planned seismic operations on the Rangkas Block.

Kenya

- An EIA of Block 10A was undertaken prior to the planned seismic campaign. The EIA established that planned activities would not impact negatively on the environment.
- A Stakeholder Awareness Meeting was organised with 48 clan leaders representing the different tribes present in Block 10A.

Malaysia

- Lundin Malaysia had to demonstrate its HSE capabilities as operator and submitted its HSE framework which is compatible with corporate requirements and local legislation.
- Following a preliminary EIA, Lundin Malaysia engaged the services of a Marine Mammal Observer to monitor mammal activity in the area.

Norway

- Lundin Norway prepared and implemented an integrated drilling and well operations management system, together with its Well Management Contractor.
- Environmental management was reinforced by the recruitment of a dedicated environmental expert and the implementation of an Environmental Accounting System and a Chemical Information System
- An audit by the Norwegian Pollution Control Authority resulted in no findings or notices of improvement.

Russia

- Due to the developments of adapted HSE documentation, the selection of equipment to minimise environmental impact and the establishment of proper procedures, the drilling of Morskaya-1 and Lagansky-1 wells took place without reportable incidents on people or the environment.
- An environmental specialist with expertise in oil spill response was retained to plan, train and oversee drilling campaigns.

Tunisia

- A chemical drums disposal system, the absence of which had been highlighted as an area of concern in the 2007 third party HSE audit, was put in place.
- A system to track total exhaust gas emissions was also put in place in accordance with Lundin Petroleum's Climate Change Statement

United Kingdom

- Lundin Britain has consistently emitted less than its CO_2 allowance under the Emissions Trading System. This year the surplus allocation was 33,323 tons. New equipment and measurement tools were installed to further enhance performance.
- Lundin Britain's Environmental Management Systems (EMS) was verified under OSPAR 2003/5 Directive and determined to meet the principles of ISO 14001.

Sustainable investments

Lundin Petroleum has established in its Code of Conduct its intention to have a positive impact in its areas of operations; impact which should outlast its activities there. Its greatest realisation is finding oil in an economically efficient manner, with due respect to nearby communities and environments, however the benefit from its activities can take a number of years to materialise. In the meantime, Company staff, partners or contractors are actively engaged in operational activities.

In order to bridge the gap between the time the Company initiates its activities and the time these result in a beneficial impact on communities, whether through taxes, royalties or revenue sharing schemes, Lundin Petroleum has elaborated two mechanisms to promote the welfare of local communities: community development projects and corporate donations.

Community development projects are elaborated as part of Lundin Petroleum's and/or operating partners' licence commitments in economically challenged areas; they are part and parcel of the operations and are done on a scale that reflects the extent and nature of the operational activities. Corporate donations take place in areas where Lundin Petroleum has limited interface with local communities, either by virtue of the fact that its operations are offshore or because they are partner-operated.

In both cases, the philosophy driving the selection of projects is to build local capacity for self-sufficiency. As a result, save where there are acute humanitarian problems requiring immediate relief, Lundin Petroleum seeks to invest for a sustainable future by funding educational and vocational projects.

In the CR Activity table an overview of some of the projects undertaken or supported by Lundin Petroleum which throws further light on the Company's Corporate Responsibility approach in the various environments in which it is active.

Corporate donations

The Corporate Donations programme involves making monetary or in-kind contributions to individuals, groups or projects which enhance the welfare of particularly disadvantaged people, contribute to the better understanding of the oil and gas sector, or promote positive values.

The main selection criteria are relevance and materiality, which means that a project must be in an area or field Lundin Petroleum has an interest in and the contribution must have a material effect on the project.

The projects which were funded throughout 2008 can be viewed on Lundin Petroleum's website in the RESPONSIBILITY section.

CR Activities

Cambodia

The operating partner, MEDCO conducted an extensive socialisation and public consultation programme with the coastal communities adjacent to Block E, which included hiring local fishermen during the seismic campaign offshore. The programme was acknowledged by both the local communities and the Cambodian government and resulted in zero downtime to local fishing activities.

Ethiopia

A Community Development expert from the Somali region was retained to assess priority needs in the concession areas, the results of the study were communicated to local non-governmental organisations in order that they develop project proposals to meet the needs identified, primarily in the supply of freshwater for cattle, the main means of livelihood in the area. The plan is to launch projects prior to initiating seismic operations. Full-time community development and field community liaison officers have been hired in order to ensure proper local consultations and implementation of proposed projects.

Kenya

A Kenyan non-governmental organisation, Pastoralist Integrated Support Programme, selected through a rigorous tendering process, was retained to carry out three projects. The first one is meant to reinforce the ability of 4 local secondary schools, through the construction of facilities (Maikona) and/or the purchase of furniture (Laisamis, North Horr and Maikona). The second project is a bursary fund, destined for 30 bright but economically challenged children. The third project consists in the provision for and training in the use of Solar Cookers in four towns, Kalacha, Maikona, Kargi and North Horr.

Indonesia

A process of consultation with local authorities took place in 2008 to be followed, in 2009, by a process of consultations with local communities, during which planned operations and community measures are to be agreed upon.

Norway

The development of ArcticWeb, a geoportal for offshore arctic areas, giving immediate access to environmental design basis data was sponsored. The project was nominated for the Offshore Northern Seas innovation award in Stavanger, Norway.

Russia

The Company sponsored a major programme initiated by the local organisation KaspNirh that aims to replenish fish stock in the Volga-Caspian basin, through the artificial breeding and release of sturgeon fry in natural waters. A total of 100,000 juveniles were released under this programme in 2008.

The Company has also sought to contribute to the promotion of the city of Astrakhan, which was celebrating its 450th anniversary. It produced a photo album, "In the eye of the beholder, personal portrait of Astrakhan", and distributed to participants of the anniversary celebrations.

Sudan

The Community Development and Humanitarian Assistance Programme initiated by the Company back in 2001 was pursued by WNPOC, it consisted in providing medical and educational support to various communities. In addition, a local NGO, Vetcare, carried out training seminars on peace building, a major challenge in the area. Projects which were ongoing at year end included the building of community centers in both Ayod and Wan Machar.

Vietnam

The projects selected by the operator, Pearl Energy consisted in monthly donations to an orphanage (Hoa Mau Don), donation of wheel chairs to disabled peoples, of bicycles for needy students in the Tien Giang province (Mekong Delta) as well as the construction of two houses for the poor in the Tien Giang province.

CORPORATE GOVERNANCE REPORT

Since its creation, Lundin Petroleum 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 adheres 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 tradition of self-regulation and acts as a complement to the corporate governance rules contained in the Swedish Companies Act and other regulations. This document was issued in late 2004 by the Code Group on behalf of the Swedish Government (ref: SOU 2004:130) and is, since 1 July 2005, integrated into the listing agreement with the OMX Nordic Exchange Stockholm. The Code of Governance has been subject to a review and a revised Code of Governance applies as of 1 July 2008. Among other things, the Code of Governance has been simplified and its application has been extended to all companies whose shares are traded on a regulated market in Sweden.

There are two instances in which the Company does not adhere strictly to the terms of the Code of Governance. Firstly, since the Chief Executive Officer (CEO) does not speak fluent Swedish, his presentation during the Annual General Meeting (AGM) is delivered in English, and not in Swedish as the Code of Governance requires. However, Swedish subtitles are provided concurrently on the overhead slides. Secondly, a Board member serves as the chairman of the Nomination Committee; this was a unanimous decision of the Nomination Committee which determined that 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 the OMX. Details regarding the Exchange Rules can be found on the website www.nasdaqomx.com.

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

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 its 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 no external requirements regarding corporate governance existed. 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

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. 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"), modelled after the ISO 14001 standard, which gives guidance to Management regarding the Company's intentions and expectations in HSE matters.

The Board ensures the quality of the financial reports through a system of internal controls, as outlined in the Board's report on Internal Control for 2008 on page 35–37, and maintains appropriate communication with the Company's auditors through its Audit Committee, as further described on page 27.

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 members of the Board of Directors 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, based on a recommendation of the Nomination Committee.

NOMINATION PROCESS

Election to the Board

In accordance with the principles resolved by the 2008 AGM, the Nomination Committee consists of a total of five members, representing four of the larger shareholders; KG Lindvall of Swedbank Robur, Ossian Ekdahl of the First Swedish National Pension Fund, Carl Rosén of the Second Swedish National Pension Fund, Ian H. Lundin of Landor Participations 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 determined that he had the most thorough knowledge both of the Company and the Swedish requirements and could thus best represent the shareholders' interests. The names of the members of the Nomination Committee were announced and posted on the Company's website on 26 September 2008.

In addition to proposing members to the Board of Directors, the Nomination Committee makes recommendations to the AGM regarding fees for the Chairman and other Board members and regarding fees for Board Committee work. The Nomination Committee further presents proposals on the election and remuneration of auditors, and on the election of the Chairman of the AGM.

In furtherance of the Nomination Committee's responsibility to propose members to the Board to the 2009 AGM, the Chairman of the Board undertook in 2008 an evaluation of the work of the Board and its members through a questionnaire, and presented the results and conclusions to the Nomination Committee.

No remuneration was paid to the Chairman or any other Committee member for their work on the Nomination Committee. There were two 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 until the end of the 2009 AGM. Bo Karlsson (elected 2006) of PricewaterhouseCoopers AB is deputy auditor for the period until the end of the 2009 AGM. The Nomination Committee has proposed that PricewaterhouseCoopers AB be elected auditor of the Company, with Bo Hjalmarsson as the auditor in charge, at the 2009 AGM for the period until the 2013 AGM.

THE 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. Six board members were elected at the 2008 AGM. 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 requirements of both the OMX and the Code of Governance. The Chairman of the Board is not employed by the Company, does not receive any salary from the Company and is not eligible for participation in the Company's incentive programmes. The Chairman upholds the reporting instructions for the Management, as drawn up by the CEO and as approved by the Board of Directors, however, he does not take part in the day-to-day decision-making concerning the operations of the Company.

The Board adheres to a set of rules and procedures, the Rules of Procedure, which conform to the terms of the Code of Governance and which are updated on a regular basis to take into account changes in legislation, as well as the structure and business of the Company.

Remuneration of Board members

The remuneration of the Chairman of the Board and other Board members follows the resolution adopted by the AGM. The remuneration of the Board of Directors is stated in the notes to the Annual Report – see Note 41, Remuneration to Board of Directors and Management.

Rules of Procedure of the Board

The Rules of Procedure are adopted annually and reviewed when deemed 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 on 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, etc.

The functions of the Board

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

- Decisions regarding the focus of the business and adoption of Company policies
- Decisions regarding supply of capital
- Appointment and regular evaluation of the work of the CEO and the Management
- Approval of the reporting instructions for the 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
- 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 and work

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 (e.g. concerning investments, acquisition and sale of assets, formation of subsidiaries and increases in capital of subsidiaries, loans and guarantees and structural and organisational matters)
- Miscellaneous issues of material importance to the Company

During 2008, ten board meetings took place, including the statutory meeting. One executive session was held, whereby the Board was given the opportunity to interact directly with the Management and visit the Alvheim FPSO, offshore Norway. In addition to the matters mentioned above, the Board's work in 2008 included strategic discussions on proposed asset disposals and acquisitions and on new licence applications and production sharing agreements. The Board monitors the Company's operations and financial positions on continuous basis. The Board was regularly updated on 2008 operations and financial issues and reviewed and approved the 2009 budget and work programme. The Board further decided on repurchases of the Company's shares, in accordance with the approval granted of the 2008 AGM, to optimise Lundin Petroleum's capital structure and to secure Lundin Petroleum's costs in relation to its share price related remuneration obligations.

Committees

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

Compensation Committee

The function of the Compensation Committee is to receive information on and determine matters regarding the compensation of Management. The objective of the Committee in determining compensation for executives is to provide a compensation package that is competitive and motivating, will attract and retain qualified executives and will encourage and promote performance.

The remuneration of the Management is further described in Note 41 on page 72.

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

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 financial statements, review the 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 in the Internal Control report on pages 35–37.

Members: William A. Rand (Chairman), Magnus Unger and Asbjørn Larsen

Meeting attendance

Name	Board of Directors	Audit Committee	Compensation Committee
Ian H. Lundin[1]	10/10	2/4	
C. Ashley Heppenstall	10/10		
Lukas H. Lundin	10/10		2/2
William A. Rand	10/10	5/6	2/2
Magnus Unger	9/10	6/6	2/2
Asbjørn Larsen[1]	5/5	2/2	

[1] Ian H. Lundin was a member of the Audit Committee until 7 November 2008. Asbjørn Larsen was a member of the Board as from 13 May 2008 and the Audit Committee as from 7 November 2008.

Evaluation of the Board's work

A formal review of the work of the Board of Directors was conducted in 2008. Through a questionnaire submitted to all Board members, different aspects of the Board of Directors' 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, including the current Committee structure, is good for the tasks at hand
- Presentation materials and Board meetings are of professional quality
- Positive atmosphere during Board meetings conducive to open, constructive and frank discussions during meetings

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

THE MANAGEMENT AND AUDITORS

Management and Company structure

The President and CEO of the Company, who is a member of both the Board of Directors and Management, is responsible for managing the day-to-day operations of the Lundin Petroleum Group. In addition, he is responsible for informing the Board of Directors to ensure that the Board's decisions are well-founded. The President and CEO is assisted in his functions by the Management. All managers of the Company are responsible for working in compliance with the Company's policies and the Code of Conduct.

The main responsibility for the operations of subsidiaries, and for ensuring 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 Management. General Managers regularly report on all commercial, technical, HSE, financial and legal issues to the Management.

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

Name	Function	Elected	Audit Committee	Compensation Committee	Independent of the Company and the executive Management	Independent of the Company's major shareholders
Ian H. Lundin	Chairman	2001	Yes[1]		Yes[2]	No[3]
C. Ashley Heppenstall	President & CEO	2001			No[4]	Yes[5]
Lukas H. Lundin	Director	2001		Yes	Yes	No[6]
William A. Rand	Director	2001	Yes	Yes	Yes	No[7]
Magnus Unger	Director	2001	Yes	Yes	Yes	Yes
Asbjørn Larsen	Director	2008	Yes[1]		Yes	Yes
Dambisa F. Moyo[8]	*Proposed Director*	*2009*			*Yes*	*Yes*

[1] Ian H. Lundin was a member of the Audit Committee until 7 November 2008. Asbjørn Larsen was a member of the Board as from 13 May 2008 and the Audit Committee as from 7 November 2008

[2] Ian H. Lundin has been regularly retained by the Management to perform remunerated work duties which fall outside the scope of the regular work of the Board, e.g. in connection with the Company's major transactions. It is the Nomination Committee's opinion that despite his work, he remains independent of the Company and the executive Management.

[3] Ian H. Lundin is the settler of a trust that owns Landor Participations Inc., an investment company that holds 13,538,956 shares in the Company, and he is a member of the Lundin family that holds through a family trust Lorito Holdings Ltd., which holds 76,342,895 shares in the Company and Zebra Holdings Inc, which holds 10,844,643 shares in the Company.

[4] C. Ashley Heppenstall is the President & CEO of Lundin Petroleum.

[5] C. Ashley Heppenstall has no other business relations with the Company's major shareholders. The Nomination Committee's opinion is that he should be deemed independent of the Company's major shareholders.

[6] Lukas H. Lundin is a member of the Lundin family that holds through a family trust Lorito Holdings Ltd., which holds 76,342,895 shares in the Company and Zebra Holdings Inc, which holds 10,844,643 shares in the Company.

[7] William A. Rand is in the Nomination Committee's opinion deemed not independent of the Company's major shareholders since he holds directorships in a number of listed companies in which the Lundin family, through a family trust, holds ten per cent or more of the share capital and voting rights.

[8] Lundin Petroleum's Nomination Committee will propose to the 2009 AGM that Dambisa F. Moyo be elected as a new member of the Board of Directors.

All shareholdings are as at 31 December 2008.

BOARD OF DIRECTORS

Ian H. Lundin

Director 2001, Chairman since 2002, born 1960

Education: 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.
Other board duties: Vostok Nafta Investment Ltd.
Shares in Lundin Petroleum: nil [1]
Incentive warrants: nil

C. Ashley Heppenstall

President and Chief Executive Officer, director since 2001, born 1962

Education: 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.
Other board duties: PetroFalcon Corp.
Shares in Lundin Petroleum: 1,368,250
Incentive warrants: 600,000

Asbjørn Larsen

Director since 2008, born 1936

Education: Norwegian School of Economics and Business Administration (NHH). Asbjørn Larsen was President and CEO of Saga Petroleum from 1979 to 1998.
Other board duties: Chairman of Belships ASA, vice Chairman of Saga Fjordbase AS. Member of the board of FMC Technologies Inc., Selvaag Gruppen AS, GreenStream Network Oyj, Montebello Cancer Rehabilitation Center Foundation and the Tom Wilhelmsen Foundation.
Shares in Lundin Petroleum: nil
Incentive warrants: nil

Lukas H. Lundin

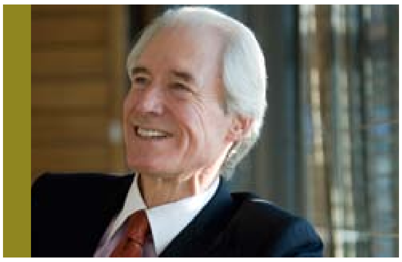
Director since 2001, born 1958

Education: Graduate from New Mexico Institution of Mining, Technology and Engineering.
Other board duties: Chairman of Lundin Mining Corporation, Denison Mines Corp., Canadian Gold Hunter Corp., Red Back Mining Inc., Suramina Resources Inc, Atacama Minerals Corp. and Vostok Nafta Investments Ltd. Director of Pearl Exploration and Production Ltd., Lucara Diamond Corp and Fortress Minerals Corp.
Shares in Lundin Petroleum: 1,221,845
Incentive warrants: nil

William A. Rand

Director since 2001, born 1942

Education: Commerce degree (Honours Economics) from McGill University and a law degree from Dalhousie University. Master of Law degree in International Law from the London School of Economics.
Other board duties: Lundin Mining Corp., Vostok Nafta Investment Ltd., Denison Mines Corp., Canadian Gold Hunter Corp., New West Energy Services Inc., Suramina Resources Inc., Pender Financial Group Corporation and Dome Ventures Corporation.
Shares in Lundin Petroleum: 120,441
Incentive warrants: nil



Magnus Unger

Director since 2001, born 1942

Education: MBA from the Stockholm School of Economics.
Other board duties: Chairman of SystemSeparation Sweden Holding AB, Value Formation AB and CAL-Konsult AB.
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.

All shareholdings are as at 31 December 2008

MANAGEMENT

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 of Directors on page 29

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 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: 192,000
Incentive warrants outstanding: 525,000

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 from the start in 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: 70,000
Incentive warrants outstanding: 187,500

Chris Bruijnzeels
Senior Vice President Operations, born 1959

Chris Bruijnzeels joined Lundin Petroleum in 2003. He is responsible for operations and development within 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: 10,000
Incentive warrants outstanding: 110,000

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 stakeholder 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: 6,000
Incentive warrants outstanding: 60,000

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. He is also a member of the Association of International Petroleum Negotiators.
Shares in Lundin Petroleum: nil
Incentive warrants outstanding: 90,000

All shareholdings are as at 31 December 2008

EMPLOYEES

Lundin Petroleum and the wider oil and gas industry has seen an unprecedented demand for key specialist and professional employees in all working areas of the sector during recent years. Even in this later period of economic downturn, competition to retain and attract the very best of the available skill, talent and expertise remains intense. It has been noted that during the next five years, the oil and gas sector will lose between 15 and 20 percent of its current pool of specialised technical and professional operators, as these individuals retire. This acute skills gap will be profound in the oil and gas industry and only those organisations that are wholly committed to employee retention and engagement will overcome this huge skill challenge. Lundin Petroleum recognises that people will remain the most integrally important asset.

Lundin Petroleum understands that the quality of its employee base, is the single greatest factor underpinning our future success. We continue to invest in our talented and committed employee base, who ensure that we remain an employer of choice in our industry. It is thanks to these committed employees whose industry experience, unsurpassed expertise and continued determination to achieve success for our shareholders and all stakeholders, that enable Lundin Petroleum to deliver outstanding performance during challenging times. See Note 40 for further information.

Lundin Petroleum will continue to:

- Promote and recognise outstanding merit
- Continue stakeholder commitment through a LTIP programme
- Support and encourage ongoing training and professional development
- Foster innovative recruitment and retention strategies
- Concentrate on our succession planning opportunities
- Maintain a strong stability index (number of employees with a year or more service divided by the total number of employees)

The Company's primary people strategy is to deliver a framework where the attraction and retention of a highly skilled and motivated employee base, will enable us to achieve and exceed our stated corporate goals and objectives going forward. This strategy will concentrate on three key elements:

Career development, to promote the evolving and exciting progression opportunities that the employee base enjoys in the fast growing, entrepreneurial environment that Lundin Petroleum continues to benefit from. As we evolve, so must and do our people. The creation of a clear professional career path, for our employees, that promotes success, shares reward and aligns clear business goals and to those of individual career aspirations and personal attainment.

Compensation and benefits, to ensure that we deliver and offer a competitive range of compensation and reward packages which promote, value and recognise performance and achievement beyond the norm.

Reward for success, to continue the commitment to our LTIP programme, enabling Lundin Petroleum to share and recognise our ongoing success with the committed employees who make this success achievable through clearly defined business focused performance objectives.

THE LUNDIN PETROLEUM SHARE AND SHAREHOLDERS

Lundin Petroleum share

Lundin Petroleum's shares are listed on the Large Cap list of the Nasdaq OMX Nordic Exchange ("OMX") in Stockholm, Sweden. Lundin Petroleum's share is part of the OMX 30 index, at the OMX in Stockholm, Sweden.

Trading and market capitalisation

Trading of Lundin Petroleum shares takes place on the OMX. Lundin Petroleum's market capitalisation as at 31 December 2008 was MSEK 13,034.

Liquidity

High liquidity is important in attracting major institutional investors to Lundin Petroleum. During 2008 a daily average of 2,685,652 Lundin Petroleum shares with a weighted average value of MSEK 174.9 were traded on the OMX in Stockholm.

Share capital and voting rights

The registered share capital at 31 December 2008 amounts to SEK 3,179,106 represented by 317,910,580 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.

Long Term Incentive Plan

As part of the remuneration package to employees, the Group operate a long term incentive plan (LTIP). The LTIP up to and including 2007 included the granting of incentive warrants and are detailed in Note 41-42. The number of outstanding incentive warrants as at 31 December 2008 amounted to 4,921,750 and are shown in the table. The outstanding incentive share warrants represents a dilution of 1.5 percent if all are exercised, although at 31 December 2008, the exercise price was in excess of the prevailing share price. The LTIP for 2007 also included a Share Option Plan which is detailed in Note 41-42. Lundin Petroleum's maximum potential obligation under this plan is the award of 67,751 shares.

	2006 programme	Valkyries acquisition	2007 programme
Exercise price (SEK)	97.40	17.87 – 97.40	78.05
Number authorised	3,250,000	1,014,000	3,950,000
Number outstanding	2,986,000	275,000	1,660,750
Exercise period	15 June 2007 - 31 May 2009	Up to 31 May 2009	1 Dec 2008 – 31 May 2010

Own purchased shares

The Annual General Meeting (AGM) of Lundin Petroleum held on 13 May 2008 resolved to authorise the Board of Directors to decide on the repurchase and sale of Lundin Petroleum shares on the OMX during the period until the next AGM. The maximum number of shares that can be repurchased and held in treasury from time to time cannot exceed five percent of all shares of Lundin Petroleum. The purpose of the authorisation is to provide the Board of Directors with an instrument to optimise Lundin Petroleum's capital structure and to secure Lundin Petroleum's costs in relation to the LTIP.

In June 2007, Lundin Petroleum acquired 68,000 of its own shares to fully hedge its potential obligation under the 2007 Performance Share Plan.

In June 2008, Lundin Petroleum acquired 797,000 of its own shares to fully hedge its potential cash obligation under the 2008 LTIP.

On 16 September 2008 the Board of Directors resolved to mandate the management to execute repurchases of Lundin Petroleum shares on OMX. Under this mandate Lundin Petroleum acquired 3,625,300 of its own shares during September and October 2008.

The total number of repurchased shares held by Lundin Petroleum at 31 December 2008 amounted to 4,490,300.

Analyst coverage

Bank/Broker	Analyst	Contact
ABG Sundal Collier	Martin Westgaard	ole.westgaard@abgsc.no
Carnegie	Erik Gustafsson	erik.gustafsson@carnegie.se
Cheuvreux	David Hallden	dhallden@cheuvreux.com
Collins Stewart	Gordon Gray	Ggray@collinsstewart.com
Credit Suisse	Tao Ly	tao.ly@credit-suisse.com
Enskilda Securities	Julian Beer	Julian.beer@enskilda.se
Goldman Sachs	Christophor Jost	Christophor.Jost@gs.com
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HQ Bank AB	Alexander Vilval	alexander.vilval@hq.se
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Standard & Poor's	Christine Tiscareno	christine.tiscareno@standardandpoors.com
Swedbank Markets	John Helgesson	john.helgesson@swedbank.se
Tristone Capital	Mark Wilson	mwilson@tristonecapital.com
Öhman Fondkomission	Joakim Kindahl	joakim.kindahl@ohman.se

AGM resolution

During the AGM in 2008 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

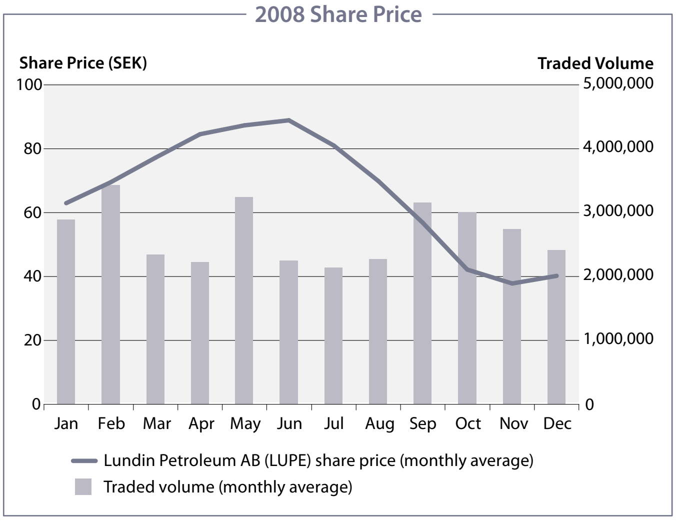
Lundin Petroleum's primary objective is to add value to the shareholders, employees and society through profitable operations and growth. This added value will be expressed partly by dividends paid and partly by a long-term increase in the share price. This will be achieved by increased hydrocarbon reserves,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

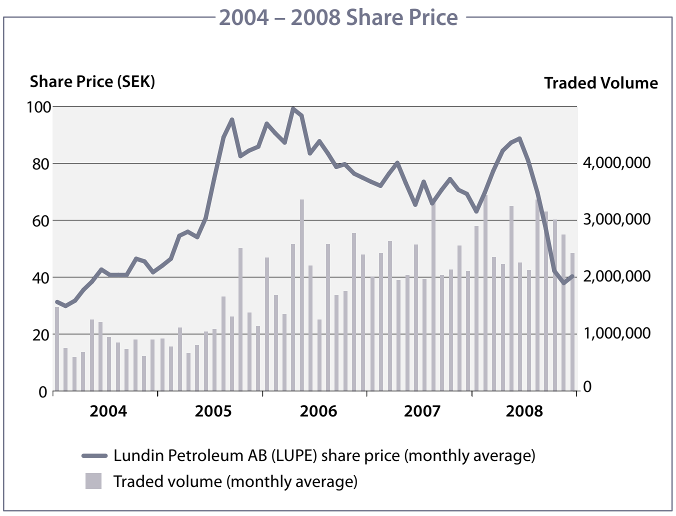
The size of any dividend would have to be determined by Lundin Petroleum's financial position and the possibilities for growth through profitable investments. Dividends will be paid when Lundin Petroleum generates sustainable cash flow and net income from operations to maintain long-term financial strength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

Share data

Since Lundin Petroleum was incorporated in May 2001 and up to 31 December 2008 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	November 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
Incentive warrants	2008	0.01	2,360,000	317,910,580	3,179,106
Total			**317,910,580**	**317,910,580**	**3,179,106**

Distribution of shareholdings

Distribution of shareholdings in Lundin Petroleum as provided by VPC, 31 December 2008

Size categories as at 31 Dec 2008	Numbers of shareholders	Percentage of shares,%
1-500	26,289	1.5
501-1,000	6,912	1.8
1,001-10,000	7,910	7.7
10,001-50,000	902	5.9
50,001-100,000	123	2.7
100,001- 500,000	150	10.6
500,001 -	81	69.8
Total	**42,367**	**100.0**

Share ownership structure

Lundin Petroleum had 42,367 shareholders by 31 December 2008. The proportion of shares held by institutional investors amounted to 84.0 percent. Foreign investors held 59.0 percent of the shares.

The 15 largest shareholders provided by VPC, as at 31 Dec 2008	Numbers of shares	Subscription capital/votes,%
Lorito Holdings Ltd	76,342,895	24.01
Wellington Management Company LPP	15,905,402	5.00
Landor Participations Inc.	13,538,956	4.26
Zebra Holdings Ltd	10,844,643	3.41
Swedbank Robur	10,075,053	3.17
LGT Bank in Liechtenstein Ltd	7,006,583	2.20
Andra AP-fonden	5,652,385	1.78
Handelsbanken fonder	5,054,328	1.59
AMF Pensionsförsäkring	5,000,000	1.57
SEB Investment Management	4,694,641	1.48
Lundin Petroleum AB	4,490,300	1.41
Folksam – KPA – Förenade Liv	3,155,120	0.99
Afa Försäkring	3,098,232	0.97
Första AP-fonden	2,981,100	0.94
Tredje AP-fonden	2,848,100	0.90
Other shareholders	147,222,842	46.32
Total	**317,910,580**	**100.00**

- 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.

INTERNAL CONTROL REPORT

THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING FOR THE FINANCIAL YEAR 2008

According to the Swedish Companies Act and the Swedish Code of Corporate Governance ("the Code of Governance"), the Board is responsible for the internal control of the company. This report has been prepared in accordance with the Code of Governance and is accordingly limited to internal control and risk management regarding financial reporting. This report describes how the internal control over the financial reporting is organised, but does not comment on its effectiveness. 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 that 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 control 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 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 a 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 shall operate. The Board has further 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 Company's processes and application thereof. The Group is constantly reviewing and developing the existing delegation of authority levels to ensure that they reflect the current business needs and objectives. A whistleblowing policy was adopted during 2008 to complement the anti-fraud policy through the provision of a mechanism whereby suspected fraud or other impropriety could be identified.

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. The risk evaluation process is an ongoing activity and during 2008, work was carried out to introduce a risk quantification methodology that would enable a better understanding of the comparable risk under each of the categories.

Control activities

Control activities are 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 formalised the process of consolidating the financial results and position of the consolidated subsidiaries. The Cognos Controller application has inherent controls over the gathering of financial information, the consolidation process including currency translations and report generation, thereby ensuring the accuracy of the reported data.

During 2008 the Cognos Controller system was further developed by increasing the number of system controls and system reconciliations. The Management reporting capability of the system was enhanced through the implementation of additional reporting templates. Increased user understanding was achieved through continued training.

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

In 2008 the Lundin Petroleum Group Accounting Principles (GAP) manual was produced and distributed to all offices. The GAP manual outlines the Group's accounting principles and explains how transactions are to be accounted for and sets forth the requirements for disclosure. The GAP manual focuses upon the accounting policies to be applied in accordance with International Accounting Standards.

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 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. Guidelines regarding the financial reporting are communicated to employees, for example, by ensuring that all manuals, policies and codes are published and accessible internally.

Regular meetings were held between senior finance staff and the external auditors during 2008 to discuss accounting policies and procedures and for planning for the annual audit and the half year review. The Audit Committee was advised of the content of these meetings as part of the quarterly reporting cycle along with the financial results and principal accounting policies.

Monitoring

Monitoring of the financial reporting of Lundin Petroleum is carried out by the Board of Directors, Group Management, external auditors and shareholders, and by Lundin Petroleum's Internal Audit function and other employees holding 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 provided 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 25–28.

- External auditing and monitoring

  Lundin Petroleum's financial statements are audited by its external auditors on an annual basis and the audit report is included in 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 review and approval of the half and year-end 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 information is 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, shareholders and media representatives on the day of publication of the quarterly and year-end results, and in connection with the release of important news
  - Regularly up-dated information on the Company's website relating to its business and operations

  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. Lundin Petroleum has an employee who has, amongst other duties, the responsibility to manage the Internal Audit function and dedicates approximately 60 percent of his time thereto.

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 and the work that follows is an ongoing process involving enhancement of control activities such as procedures and processes, and information and communication within the Group.

Lundin Petroleum had identified the need for an Internal Auditor and had applied a resource to the position on a part time basis. This decision was based upon the fact that the accounting system was structured around a transaction based system rather than a complex processing system. Whilst this fact remains, the number of offices within the Lundin Petroleum Group has expanded during 2008 along with the volume and value of the transactions. As a result Lundin Petroleum has decided to employ a full time resource to the position of Internal Auditor and this role will be filled early in the second quarter of 2009. The Internal Auditor will work closely with the Audit Committee to establish an internal audit plan and in carrying out the requirements of this position.

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 maximising 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 pages 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 programmes 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 instruments used has been described in Note 17 on page 67 in the financial report.

Risks in the financial reporting are described in the Corporate Governance Report on pages 25–28, and in Market Overview on pages 10–12.

FIVE YEAR FINANCIAL SUMMARY

Income Statement Summary (TSEK)	2008	2007	2006	2005	2004
Operating income	6,393,737	5,484,295	4,414,506	4,190,184	2,468,286
Production costs	-2,378,706	-2,266,911	-1,575,781	-1,310,905	-1,074,491
Depletion of oil and gas properties	-1,032,068	-997,644	-776,735	-753,428	-381,252
Exploration and impairment costs	-1,515,376	-369,596	-123,469	-208,135	-150,065
Gross profit	**1,467,587**	**1,850,144**	**1,938,521**	**1,917,716**	**862,478**
Sale of asset	130,547	–	–	192,122	98,192
General, administration & depreciation (net)	-136,665	-168,760	-107,200	-96,680	-112,268
Operating profit/(loss)	**1,461,469**	**1,681,384**	**1,831,352**	**2,013,158**	**848,402**
Financial investments	-549,643	129,127	31	-152,449	-1,541
Result from share in associated company	29,298	–	–	–	–
Profit/(loss) before tax	**941,124**	**1,810,511**	**1,831,352**	**1,860,709**	**846,861**
Tax	-630,837	-858,037	-1,036,917	-866,734	-241,603
Net result	**310,287**	**952,474**	**794,435**	**993,975**	**605,258**
Net result attributable to:					
Shareholders of the parent company	560,011	956,953	803,005	993,507	598,245
Minority interest	-249,724	-4,479	-8,570	468	7,013
NET RESULT	**310,287**	**952,474**	**794,435**	**993,975**	**605,258**

Balance Sheet Summary (TSEK)	2008	2007	2006	2005	2004
Tangible fixed assets	21,124,177	16,879,890	14,525,270	5,827,007	4,334,025
Other non-current assets	2,026,954	1,424,395	1,662,651	502,474	481,041
Current assets	2,129,493	2,026,835	1,497,490	1,432,892	1,037,247
TOTAL ASSETS	**25,280,624**	**20,331,120**	**17,685,411**	**7,762,373**	**5,852,313**
Shareholders' equity	11,430,988	9,705,949	8,952,680	3,679,616	2,367,282
Minority interest	1,396,046	1,346,164	1,615,131	3,050	2,931
Total equity	**12,827,034**	**11,052,113**	**10,567,811**	**3,682,666**	**2,370,213**
Provisions	6,087,340	4,771,421	4,481,496	2,087,250	1,497,692
Interest bearing debt	4,339,769	2,740,168	1,391,063	736,151	1,343,021
Current liabilities	2,026,481	1,767,418	1,245,041	1,256,306	641,387
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	**25,280,624**	**20,331,120**	**17,685,411**	**7,762,373**	**5,852,313**

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.

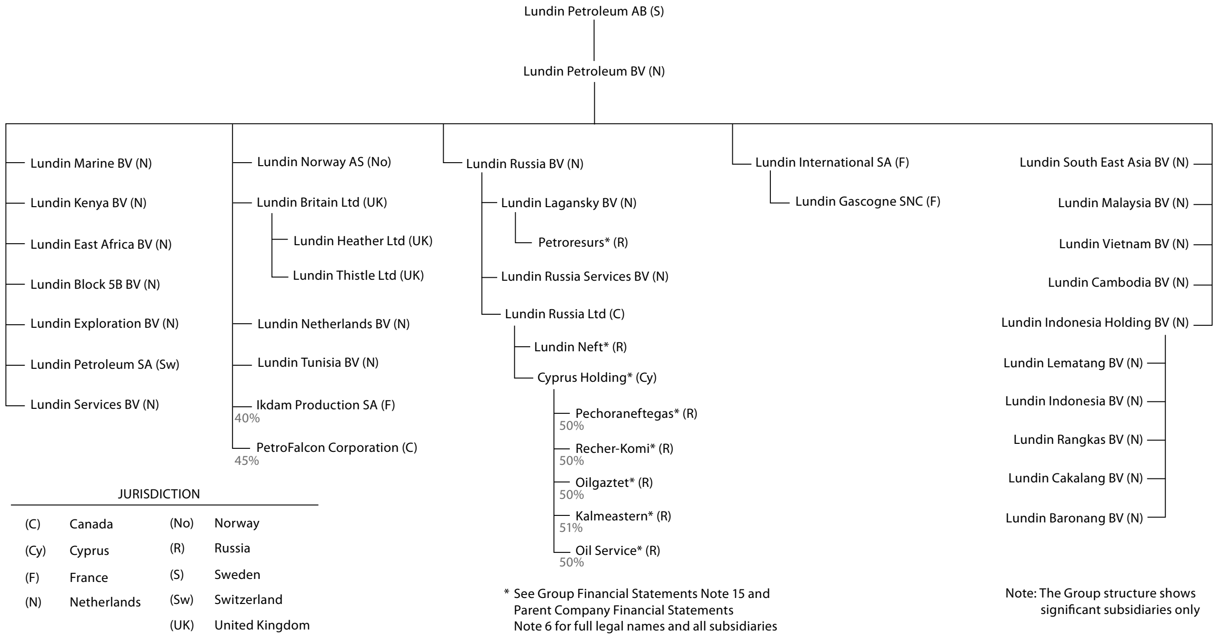
Lundin Petroleum aims to increase hydrocarbon reserves through exploration and acquisitions. Lundin Petroleum will fund acquisitions through a mixture of internally generated funds, third party debt and if necessary, through new equity.

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.

DIRECTORS' REPORT

LUNDIN PETROLEUM AB (PUBL) REG NO. 556610-8055

Group Structure as at 31 December 2008



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 Nasdaq OMX Nordic Exchange), Stockholm.

On 19 September 2002 the Company completed the acquisition of 95.3 percent of the outstanding shares of Lundin International SA (formerly Coparex International SA) from BNP Paribas. Subsequent acquisitions increased the Company's ownership to 99.86 percent.

On 13 January 2003 the Company completed the acquisition of 75.8 percent of OER oil AS. OER oil AS subsequently acquired interests in two producing fields offshore Norway and a 100 percent interest in OER energy AS (formerly called Aker Energy AS). On 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 percent of the shares in Valkyries Petroleum Corporation ("Valkyries").

In February 2008 Lundin Petroleum completed the sale of its wholly owned subsidiary Lundin Latina de Petróleos S.A. to PetroFalcon Corporation ("PetroFalcon") in exchange for approximately 57.3 million shares of PetroFalcon and the acquisition of approximately 6.7 million shares and 5.0 million warrants in PetroFalcon through a private placement. In April 2008, PetroFalcon entered into an agreement to acquire the Venezuelan assets of Anadarko Petroleum Corporation. Lundin Petroleum agreed to guarantee certain of PetroFalcon's obligations under that agreement and received 7.1 million shares of PetroFalcon as consideration. As a result, Lundin Petroleum has become the largest shareholder in PetroFalcon with a 45 percent interest. PetroFalcon is a public company listed on the Toronto Stock Exchange with proven and probable reserves of 30.6 MMboe as at 1 January 2009.

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.

EUROPE

United Kingdom

The net production to Lundin Petroleum for the year ended 31 December 2008 was 10,200 barrels of oil equivalent per day (boepd).

Net production from the Broom field (Lundin Petroleum working interest (WI 55%) averaged 6,400 boepd for the year ended 31 December 2008. Production during the first half year of 2008 was adversely impacted due to a one month weather-related delay in bringing the new infill development well 2/5-25 onto production in early April 2008 and due to a longer than planned shutdown of the Heather production facility of close to one month. Production during the second half of 2008 increased and averaged 6,800 boepd following the planned shutdown of the Heather production facility during the second quarter of 2008. As a result of the performance of the Broom infill development well drilled in 2007, Broom recoverable reserves increased as at 1 January 2009 by 3.8 million barrels.

Production from the Heather field (WI 100%) averaged 1,200 boepd for the year ended 31 December 2008. Production was below forecast due to the high downtime of compressor facilities and the above mentioned shutdown of the Heather production facility during the second quarter of 2008. During periods of two compressor operations production averages over 2,000 boepd. As a result of the completion of redevelopment studies for the Heather field based upon new 3D seismic acquired by Lundin Petroleum, recoverable proven and probable reserves have increased by 13.5 million barrels. Development drilling is currently planned to recommence in 2010.

Net production from the Thistle field (WI 99%) averaged 2,600 boepd for the year ended 31 December 2008. Thistle production recommenced in January 2008 following a fire in one of the Thistle platform power generation turbine enclosures in November 2007. Limitations in power generation capacity pending the reinstatement of damaged facilities, expected to be completed in mid 2009, has impacted and continue to impact production, particularly as a result of reduced water injection. The redevelopment of the Thistle field is ongoing with the rebuild of the Thistle drilling rig substantially complete and the installation of the top drive expected shortly. The installation of facilities to provide transportation services to facilitate the oil export from the West Don and South West Don will be completed in 2009 and will provide tariff income to Lundin Petroleum reducing the net operating costs of the Thistle field. Following the completion of 3D seismic acquisition on the Thistle field a subsurface review has identified multiple new drilling and workover opportunities for redevelopment of the field which has resulted in an increase to proven and probable reserves of 13.1 million barrels. It is planned to resume development drilling on the Thistle field in 2010.

Lundin Petroleum owns approximately 40 percent of the undeveloped Peik gas/condensate field which straddles the United Kingdom/Norway boundary and is the operator. Discussions in relation to a host platform decision are well advanced. In today's oil and gas price environment and current capital cost structure the Peik development is marginal. A decision will be made on Peik development by the field partners during 2009.

The Torphins exploration well in Licence P1107 (WI 40%) was successfully completed in July 2008 as an oil and gas discovery but is not economically viable in today's oil price environment.

Norway

The net production to Lundin Petroleum from Norway averaged 6,500 boepd for the year ended 31 December 2008. Net production from the Jotun field (WI 7%) offshore Norway averaged 300 boepd for the year ended 31 December 2008. In July 2008 the sale of Lundin Petroleum's interest in the Jotun field was completed to Det Norske Oljeselskap ASA for a cash consideration of NOK 72 million (SEK 83 million) effective 1 January 2008.

First production from the Alvheim field (WI 15%) commenced in June 2008. The build-up of production from the Alvheim field has been ahead of expectations with production averaging 11,300 boepd net over the second half of the year. Production has reached plateau levels despite two remaining production wells not having yet been brought on production and whilst production history is limited, the field is performing ahead of expectation. During the fourth quarter of 2008, production was negatively impacted as a result of repairs required to flowlines on the Alvheim FPSO which impacted production up-time. Gas compression facilities on the Alvheim FPSO were successfully commissioned in July 2008 when gas export through the SAGE system to the United Kingdom commenced. Development drilling for Phase 1 of the Alvheim project has been successfully completed and Phase 2 which involves the drilling of a further 3 multi-lateral wells will be completed in 2010. The average cost of operations for the Alvheim field was USD 6.35 per barrel in the second half of 2008 and is forecast at below USD 5 per barrel in 2009.

The first production from the Volund field (WI 35%) is expected in late 2009 with a plateau rate of 8,700 boepd net to Lundin Petroleum. Volund is a sub-sea tie back to the Alvheim FPSO and the installation of the sub-sea facilities are now substantially complete. The drilling of the first of the four Volund development wells has commenced.

The appraisal well in Licence PL148 (WI 50%) on the Nemo field was successfully completed in the first quarter of 2008 encountering oil in the Ula formation. Gross recoverable proven and probable reserves for the Nemo field are 22 MMboe.

The Pi North exploration well on Licence PL292 (WI 40%) completed in the second quarter of 2008 was a successful oil and gas discovery testing oil at 4,700 bopd from the oil zone. The Pi field is estimated to contain gross resources of 19 to 32 MMboe and is close to existing infrastructure which will facilitate a timely development of the discovery.

The Luno oil discovery in PL338 (WI 50%) was drilled in 2007. In January 2009 the first Luno appraisal well was successfully completed and tested, confirming the extension of the Luno field to the north east. The well was tested at a flow rate of approximately 4,000 bopd. The results of the appraisal well are being analysed and will be subsequently incorporated into a revised resource estimate for the Luno field which was indicated as within a range of 65 to 190 MMboe gross recoverable resources following the discovery well. Further technical analysis has identified additional resource potential in the updip extensions of the Luno discovery located in PL338. An exploration well will be drilled in 2009 to test the updip Luno extension concept. Lundin Petroleum has a major acreage position in the Greater Luno area with operated interests in PL359 (WI 70%), PL410 (WI 100%) and PL501 (WI 40%) (PL501 was awarded in the recent APA 2008 licence awards). Exploration drilling is planned on all licences in 2009 and/or 2010.

The exploration well 2/5-14S in PL006C (WI 75%), targeting the Hyme prospect, was completed in the first quarter 2009 and showed no commercial hydrocarbons. The well has been plugged and abandoned. The SE Tor discovery is also located in PL006C with estimated resources of 22.5 MMboe. A decision was taken not to proceed with the drilling of the side track 2/5-14S as an appraisal well on the SE Tor discovery, pending further technical and economic analysis.

France

The net production in the Paris Basin averaged 3,000 boepd for the year ended 31 December 2008.

The Paris Basin Rhetien fields have produced ahead of expectation in 2008 which has resulted in an increase to their reserve base. Plans to redevelop a number of these fields have been successfully completed.

In the Aquitaine Basin (WI 50%) net production averaged 800 bopd for the year ended 31 December 2008.

In September 2008 the exploration well Dordives 1-D on the Ferrières licence (WI 65%) was completed and announced as being an oil discovery. The well has subsequently been tested producing only water. A technical evaluation of the results is ongoing to determine the forward plan. In April 2008 Société Pétrolière de Production et d'Exploitation (SPPE) acquired a 35 percent interest in the Ferrières licence in consideration for paying a disproportionately larger share of the costs of the exploration well.

In October 2008 the exploration well Vaxy-1 on the Pays du Saulnois licence (WI 50%) located in eastern France was completed. Acquired logs and pressure data indicate good quality reservoir with possible hydrocarbon saturations. However the preliminary well data interpretation is not conclusive and further technical studies are ongoing to determine whether to proceed with a testing programme. In April 2008 GDF SUEZ acquired a 50 percent interest in the Pays du Saulnois licence in consideration for paying a disproportionately larger share of the costs of the exploration well.

The Netherlands

The net gas production from The Netherlands averaged 2,300 boepd for the year ended 31 December 2008. The production was below forecast due to the delay in first gas from the K5F project which came on production in September 2008.

SOUTH EAST ASIA

Indonesia

Salawati Island and Basin (Papua)

The net production from Salawati (Salawati Island WI 14.5% Salawati Basin WI 25.9%) was 2,300 boepd for the year ended 31 December 2008.

An exploration well South East Walio-1 on the Salawati Basin licence was successfully completed as an oil discovery. The well was put in production in February 2009. The forward plan is to drill two further appraisal wells in 2009. The initial estimates of the size of the discovery are 10-15 MMboe gross.

Lematang (South Sumatra)

The development of the Singa gas field (WI 25.9%) is ongoing with first gas production in 2009.

In 2007 a gas sales agreement was signed with PT PLN (PERSORO) an Indonesian electricity generating company to supply a gross contracted volume of 133 Bscf.

Rangkas (West Java)

In the second quarter of 2008, a new PSC was signed for the Rangkas Block (WI 100%) located in the West Java Basin, onshore West Java. Previous drilling in the block has confirmed an active petroleum system and several prospects and leads have been identified from earlier 2D seismic.

Baronang and Cakalang

In November 2008 Lundin Petroleum was awarded two new PSCs for the Baronang and Cakalang Blocks (WI 100%) located in the Natuna Sea.

Vietnam

In excess of 1,700 km² of 3D seismic has been acquired and processed on Block 06/94 (WI 33.33%). The drilling of the first exploration well on the Tuong Vi prospect with unrisked gross potential resources of 159 MMboe will begin in the first half of 2009.

Malaysia

In April 2008, Lundin Petroleum signed three production sharing agreements in Malaysia. Block PM308A (WI 35%) and Block PM308B (WI 75%) in the Penyu Basin offshore peninsular Malaysia and Block SB303 (WI 75%) offshore Sabah. A 2D seismic survey of 1,400 km in Block SB303 was completed in the third quarter of 2008 and planning is underway to acquire additional 3D seismic in Block PM308A, PM308B and SB303.

Cambodia

A 3D seismic acquisition of 270 km² in Block E (WI 34%) offshore Cambodia was completed in September 2008. A forward plan for Block E will be determined in the first half of 2009 following the interpretation of the seismic.

AFRICA

Tunisia

The net oil production from the Oudna field (WI 40%) averaged 1,600 boepd for the year ended 31 December 2008. Net production in 2008 was below forecast as a result of adverse water breakthrough in one of the field's producing reservoirs in the first quarter of 2008. However production has since stabilised and in fact has been flat during the remainder of 2008 at 1,600 boepd.

Sudan

Three exploration wells were drilled in Block 5B (WI 24.5%) during 2008, all of which were plugged and abandoned as dry holes. The Nyal-1 exploration well was drilled from a dry location using a land rig and the Wan Machar-1 and Muny Deng-1 wells were drilled in the Sudd swamp using barge mounted drilling facilities.

Further drilling was postponed on Block 5B whilst the acquired well data and samples were analysed. The results of this analysis indicate that source rock quality in the southern part of the Muglad Basin, covering a major part of Block 5B, is the likely reason for the negative results of the exploration campaign. As a result the exploration potential of Block 5B has significantly reduced.

Congo (Brazzaville)

Drilling will commence on Block Marine XI (WI 18.75%) in 2009 with two wells to be drilled. The first well will be an appraisal of the Viodo discovery followed by an exploration well targeting the post-salt Sendji prospect with gross unrisked potential of 73 MMboe.

In September 2008 Lundin Petroleum acquired a 21.55 percent working interest in Block Marine XIV from PA Resources AB. Block Marine XIV is located in shallow water offshore Congo (Brazzaville) and is adjacent to Block Marine XI.

Ethiopia

Lundin Petroleum has a 85 percent interest in Blocks 2, 6, 7 and 8 located in the onshore Ogaden Basin, Southern Ethiopia and a 50 percent interest in the Adigala Area in Northern Ethiopia.

In December 2008 New Age (African Global Energy) Limited completed the acquisition of a 15 percent interest in Blocks 2, 6, 7 and 8 and a 50 percent interest in the Adigala Area in exchange for paying a disproportionate share of costs relating to the future 2D seismic programme and the reimbursement of historical costs.

In February 2009 Lundin Petroleum announced the signing of an agreement for the sale of its Ethiopian assets to Africa Oil Corporation. The deal is subject to various approvals.

Kenya

During 2008 aerogravity studies were successfully completed on Block 10A (WI 100%). In the second quarter of 2008 Lundin Petroleum acquired a 30 percent working interest in Block 9 from operator CNOOC Africa Ltd. Block 9, in the Anza Basin of northwest Kenya is adjacent to the Lundin Petroleum operated Block 10A. An exploration well will be drilled on the Bogal prospect in Block 9 during 2009.

In February 2009 Lundin Petroleum announced the signing of an agreement for the sale of its Kenyan assets to Africa Oil Corporation. The deal is subject to various approvals.

RUSSIA

The net oil production from Russia was 5,000 boepd for the year ended 31 December 2008. Production was intentionally reduced in the fourth quarter of 2008 as a result of the level of production taxes in a reducing oil price environment.

In July 2008 the first exploration well, Morskaya-1, drilled in the Lagansky Block (WI 70%) located in the northern Caspian resulted in a major oil discovery which tested at a combined flow rate of 2,500 bopd of 32 API oil. Lundin Petroleum's estimates indicate gross recoverable reserves between 110 and 450 MMbo in the Lagansky part of the Morskaya structure. The Morskaya structure straddles the licence boundary of the Lagansky Block and the adjoining acreage controlled by the Caspian Oil Consortium and is on trend with several major oil and gas discoveries made by Lukoil in the Russian sector of the Caspian. The Morskaya structure is a large four-way dip closure and the areal extent of the discovery is approximately 130 km^2. Further appraisal drilling will be needed to assess the full extent of the hydrocarbon reservoirs across such a large structure. An exploration/appraisal well on the Morskaya discovery is planned to be drilled in 2010.

In October 2008 the second exploration well Laganskaya-1 was completed. Log results, pressure data and fluid samples indicated the presence of a low hydrocarbon saturation transition zone probably associated with a small updip structure.

A third exploration well will be drilled in 2009 on the Petrovskaya prospect which is estimated to contain unrisked gross potential resources of 300 MMboe.

An option agreement in relation to the Lagansky Block was signed in 2007 with JSC Gazprom ("Gazprom") whereby Gazprom acquired 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 is that, upon completion, 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.

SOUTH AMERICA

Venezuela

In February 2008 the sale of Lundin Petroleum's Venezuelan interests to PetroFalcon Corporation ("PetroFalcon") was completed. Lundin Petroleum has become the largest shareholder in PetroFalcon with a 45 percent interest. PetroFalcon is a public company listed on the Toronto Stock Exchange with proven and probable reserves of 30.6 MMboe. The deal announced in April 2008 for PetroFalcon to purchase the Venezuelan assets of Anadarko Petroleum Corporation did not receive government approval and was terminated.

FUTURE OUTLOOK

Lundin Petroleum 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 2008 of MSEK 310.3 (MSEK 952.5). Net profit attributable to shareholders of the Parent Company amounted to MSEK 560.0 (MSEK 957.0) representing earnings per share on a fully diluted basis of SEK 1.77 (SEK 3.03) for the financial year ended 31 December 2008.

Operating cash flow for the financial year ended 31 December 2008 amounted to MSEK 4,092.1 (MSEK 3,126.1) representing operating cash flow per share on a fully diluted basis of SEK 12.96 (SEK 9.91) for the financial year ended 31 December 2008.

Earnings before interest, tax, depletion and amortisation (EBITDA) for the financial year ended 31 December 2008 amounted to MSEK 3,878.4 (MSEK 3,048.6) representing EBITDA per share on a fully diluted basis of SEK 12.29 (SEK 9.67) for the financial year ended 31 December 2008.

Whilst the result for the year ended 31 December 2008 was a net profit of MSEK 310.3, the operating cash flow generated in the year ended 31 December 2008 amounted to MSEK 4,092.1. The reason that the profit was adversely affected in 2008 when the cash flow was not is due to a number of non-cash items that were recorded in 2008. The following table highlights the major non-cash items and one off result items that have affected the profit in the year ended 31 December 2008.

MSEK	Shareholders of the parent company	Minority interest	Total 2008	Total 2007
Reported Net Result	560.0	-249.7	310.3	952.5
Exploration costs	831.5	70.2	901.7	369.6
Impairment costs	418.5	195.2	613.7	–
Foreign exchange, net	828.5	42.6	871.1	-191.0
Tax items	-748.1	-104.8	-852.9	-60.1
Adjusted Net Result	**1,890.4**	**-46.5**	**1,843.9**	1,071.0

The net profit for the year of MSEK 310.3 (MSEK 952.5) includes the portion of the impairment and exploration costs that is attributable to the minority shareholders of the subsidiaries that have incurred the costs. The net result that is attributable to the shareholders of Lundin Petroleum AB is MSEK 560.0 (MSEK 957.0).

Changes in the Group

On 1 February 2008, Lundin Petroleum completed the sale of its wholly owned subsidiary Lundin Latina de Petróleos S.A. to PetroFalcon and the acquisition of shares and warrants in PetroFalcon through a private placement. As a result of these transactions, Lundin Petroleum became the largest shareholder in PetroFalcon with a shareholding of approximately 64 million shares of PetroFalcon. In April 2008, PetroFalcon entered into an agreement to acquire further Venezuelan assets from Anadarko Petroleum Corporation (Anadarko). Lundin Petroleum agreed to guarantee certain of PetroFalcon's obligations under that agreement and in part consideration, received approximately 7.1 million shares of PetroFalcon. The agreement with Anadarko did not receive governmental approval and, as a result, Lundin Petroleum has no remaining guarantee outstanding. Lundin Petroleum holds approximately 45 percent of the issued and outstanding common shares of PetroFalcon. PetroFalcon 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 30.6 MMboe as at 1 January 2009. The shareholding in PetroFalcon has been accounted for under the equity method whereby only the change in equity is accounted for in the income statement of the Group under the heading Result from share in associated company.

Revenue

Net sales of oil and gas for the financial year ended 31 December 2008 amounted to MSEK 6,269.1 (MSEK 5,353.7) and are detailed in Note 1. Production for the financial year ended 31 December 2008 amounted to 11,842.2 Mboe (12,662.9 Mboe) representing 32.4 Mboepd (34.7 Mboepd). The average price achieved for a barrel of oil equivalent for the financial year ended 31 December 2008 amounted to USD 87.29 (USD 65.65). The average Dated Brent price for the financial year ended 31 December 2008 amounted to USD 97.26 (USD 72.39) per barrel.

Other operating income for the financial year ended 31 December 2008 amounted to MSEK 124.6 (MSEK 130.6). This amount includes tariff income from Norway, the United Kingdom, France and the Netherlands and income for maintaining strategic inventory levels in France. Other operating income in 2008 is in line with the comparative period because tariff income from the Alvheim field in Norway has offset the reduced tariff income received from the Broom field in the United Kingdom. The Alvheim field receives a tariff for operating services from the Vilje field which is produced through the Alvheim FPSO.

Sales for the financial year ended 31 December 2008 were comprised as follows

Sales Average price per boe expressed in USD	2008	2007
United Kingdom		
- Quantity in Mboe	3,523.3	5,074.0
- Average price per boe	96.41	71.91
France		
- Quantity in Mboe	1,325.8	1,310.9
- Average price per boe	92.63	73.68
Norway		
- Quantity in Mboe	2,385.0	250.7
- Average price per boe	90.45	66.81
Netherlands		
- Quantity in Mboe	839.1	821.4
- Average price per boe	70.90	48.15
Indonesia		
- Quantity in Mboe	483.4	630.4
- Average price per boe	92.92	70.04
Russia		
- Quantity in Mboe	1,985.4	2,017.9
- Average price per boe	62.85	46.80
Tunisia		
- Quantity in Mboe	441.0	1,974.9
- Average price per boe	116.22	69.25
Total		
- Quantity in Mboe	**10,983.0**	12,080.2
- Average price per boe	**87.29**	65.65

The oil produced in Russia is sold on either the Russian domestic market or exported into the international market. 38 percent of Russian sales for the financial year ended 31 December 2008 were on the export market at an average price of USD 96.43 per barrel with the remaining 62 percent of Russian sales being sold on the domestic market at an average price of USD 41.95 per barrel.

Production

Production	2008	2007
United Kingdom		
- Quantity in Mboe	3,706.0	4,990.6
- Quantity in Mboepd	10.2	13.7
France		
- Quantity in Mboe	1,394.1	1,269.8
- Quantity in Mboepd	3.8	3.5
Norway		
- Quantity in Mboe	2,372.1	248.0
- Quantity in Mboepd	6.5	0.7
Netherlands		
- Quantity in Mboe	839.1	821.4
- Quantity in Mboepd	2.3	2.2
Indonesia		
- Quantity in Mboe	853.3	949.6
- Quantity in Mboepd	2.3	2.6
Russia		
- Quantity in Mboe	2,091.2	2,063.9
- Quantity in Mboepd	5.7	5.6
Tunisia		
- Quantity in Mboe	586.4	2,319.6
- Quantity in Mboepd	1.6	6.4
Total		
- Quantity in Mboe	**11,842.2**	12,662.9
- Quantity in Mboepd	**32.4**	34.7
Minority share in Russia		
- Quantity in Mboe	239.9	247.4
- Quantity in Mboepd	0.7	0.7
Total excluding minority share		
- Quantity in Mboe	**11,602.3**	12,415.5
- Quantity in Mboepd	**31.7**	34.0

Lundin Petroleum has fully consolidated the subsidiaries in Russia over which it has control, with the portion not owned by Lundin Petroleum shown as a minority interest. The average production for Russia for the financial year ended 31 December 2008 adjusted for Lundin Petroleum's share of ownership is 5.0 Mboepd (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 for which the accounting effect is 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 Heather/Broom field, offshore 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 2008 amounted to MSEK 2,378.7 (MSEK 2,266.9) and are detailed in Note 2. The reported cost of operations amounted to USD 21.44 per barrel (USD 18.28 per barrel) for the financial year ended 31 December 2008.

Production costs for the financial year ended 31 December 2008 expressed in US dollars were comprised as follows:

Production cost and depletion in TUSD	2008	2007
Cost of operations	253,933	231,533
Tariff and transportation expenses	32,590	28,995
Royalty and direct taxes	80,738	57,041
Changes in inventory/overlift	-3,511	18,249
Total production costs	**363,750**	335,818
Depletion	157,823	147,790
Total	**521,573**	483,608

Production cost and depletion in USD per boe	2008	2007
Cost of operations	21.44	18.28
Tariff and transportation expenses	2.75	2.29
Royalty and direct taxes	6.82	4.50
Changes in inventory/overlift	-0.30	1.44
Total production costs	**30.71**	26.51
Depletion	13.33	11.67
Total cost per boe	**44.04**	38.18

The cost of operations for the financial year ended 31 December 2008 was 5 percent lower than forecast as a result of the impact of the stronger USD and the later than anticipated start up of the Alvheim field. However, the cost of operations per barrel for the financial year ended 31 December 2008 was 10 percent higher than forecast due to lower production volumes associated with delay to first production from the Alvheim field and the production being below forecast in the United Kingdom.

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 18.04 (USD 13.05) per barrel for the financial year ended 31 December 2008. The rate of export duty on Russian oil is revised by the Russian Federation monthly 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 49.73 (USD 27.92) per barrel for the financial year ended 31 December 2008. The higher average oil price seen during 2008 has resulted in the increase in the royalty and direct taxes cost per barrel compared to the prior year.

As mentioned in the production section, there are both permanent and timing differences that result in sales volumes not being equal to production volumes during a period. Changes to the hydrocarbon inventory and under or overlift positions result from timing differences.

Depletion

Depletion of oil and gas properties for the financial year ended 31 December 2008 amounted to MSEK 1,032.1 (MSEK 997.6) and is detailed in Note 3. The depletion rate per barrel for the financial year ended 31 December 2008 is in line with forecast.

Exploration costs

Exploration costs for the financial year ended 31 December 2008 amounted to MSEK 901.7 (MSEK 369.6) and are detailed in Note 4. Exploration and appraisal costs are capitalised as they are incurred. When exploration drilling is unsuccessful the costs are immediately charged to the income statement as exploration costs. All capitalised costs are reviewed on a regular basis and where there is uncertainty regarding the future of a project such capitalised costs are expensed.

During 2008, the Ridgewood exploration well 12/17b-1 on Licence P1301 in the United Kingdom, the L7M exploration well in the Netherlands and the Nyal-1 exploration well, the Wan Machar-1 exploration well and the Muny Deng exploration well in Sudan Block 5B were plugged and abandoned as dry holes.

During 2008 the decision was made that the Torphins well in the United Kingdom and the Laganskaya well in the Russian Caspian Sea were not commercially viable and costs associated with drilling of these wells were expensed.

Due to the disappointing drilling campaign and the uncertainty regarding the future exploration potential in Sudan Block 5B, all of the historical exploration costs that had been capitalised amounting to MSEK 295.1 were expensed in the year ended 31 December 2008.

Impairment costs

Impairment costs for the financial year ended 31 December 2008 amounted to MSEK 613.7 (MSEK -) and are detailed in Note 5. At the end of 2008, the carrying value of the Tunisian Oudna field and Russian fields in Kalmeastern and Oilgaztet were written down following a downward revision of reserves. The amounts written down were MSEK 150.6, MSEK 298.3 and MSEK 98.1 respectively. In addition, there was a partial impairment of the Salawati Island, Indonesia asset primarily resulting from lower oil price assumptions amounting to MSEK 66.7.

Sale of assets

Sale of assets for the year ended 31 December 2008 amounted to MSEK 130.5 (MSEK -) and are detailed in Note 6.

On 1 February 2008, Lundin Petroleum completed the sale of its wholly owned subsidiary Lundin Latina de Petróleos S.A. to PetroFalcon in exchange for approximately 57 million shares of PetroFalcon. International Financial Reporting Standards ("IFRS") requires that the shares of PetroFalcon received as consideration for the sale of Lundin Latina de Petróleos S.A. be recorded at the market price at the time of the completion of the transaction, the result of which is a gain amounting to MSEK 89.9. At the date of the transaction Lundin Petroleum through the investment in PetroFalcon continued to hold 42 percent of Lundin Latina de Petróleos S.A. and this part was eliminated in the calculated gain on sale.

The sale of the Jotun field in Norway for an amount of MNOK 72.0, with an effective date of 1 January 2008, was completed on 31 July 2008 and resulted in a gain of MSEK 39.5.

Other income

Other income for the financial year ended 31 December 2008 amounted to MSEK 3.0 (MSEK 3.3) 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 2008 amounted to MSEK 139.7 (MSEK 172.0). Expenses for the year ended 31 December 2007 included MSEK 34.9 relating to the transaction costs for the cancelled initial public offering of Viking Oil and Gas ASA. Included in the amount for the financial year ended 31 December 2008 are depreciation charges amounting to MSEK 24.9 (MSEK 15.1).

Financial income

Financial income for the financial year ended 31 December 2008 amounted to MSEK 488.8 (MSEK 266.6) and is detailed in Note 8. Interest income for the financial year ended 31 December 2008 amounted to MSEK 56.0 (MSEK 37.7) and includes interest received on bank accounts of MSEK 31.4 (MSEK 28.9), interest received on a loan to an associated company of MSEK 4.5 (MSEK 4.5) and interest on the Norwegian exploration tax refund of MSEK 20.1 (MSEK 4.3).

Dividend income received for the financial year ended 31 December 2008 amounted to MSEK 12.0 (MSEK 22.5) and relates to distributions received from an unconsolidated investment in a company owning an interest in the Dutch gas processing and transportation infrastructure (NOGAT). The comparison period includes a dividend income relating to Lundin Latina de Petróleos S.A.'s interest in the Venezuelan company Baripetrol amounting to MSEK 14.3.

Included in financial income for the financial year ended 31 December 2008 is an amount of MSEK 259.2 relating to the gain on sale of an investment in Revus Energy ASA and an amount of MSEK 131.8 relating to insurance proceeds in relation to the Thistle field facility.

In other financial income an amount of MSEK 25.7 relates to the external portion of the value of the shares received from the associated company PetroFalcon for providing a guarantee. The income reported is after eliminating the portion equal to Lundin Petroleum's ownership percentage in PetroFalcon.

Financial expense

Financial expenses for the financial year ended 31 December 2008 amounted to MSEK 1,038.4 (MSEK 137.4) and are detailed in Note 9. Interest expense for the financial year ended 31 December 2008 amounted to MSEK 107.8 (MSEK 86.1) and mainly relates to the bank loan facility.

The amortisation of financing fees for the financial year ended 31 December 2008 amounted to MSEK 11.4 (MSEK 7.7). During the fourth quarter of 2007, Lundin Petroleum signed new credit facilities totalling USD one billion. The fees capitalised in relation to the credit facilities will be amortised over the anticipated usage of the facility.

Net exchange losses for the financial year ended 31 December 2008 amounted to MSEK 871.1 (MSEK -191.0). Exchange rate variations result primarily from fluctuations in the value of the USD against a pool of currencies which includes, amongst others, Norwegian Kroner (NOK), the Euro (EUR) and the Russian Rouble (RUR). The primary generator of exchange losses for Lundin Petroleum is the USD denominated debt recorded in its Norwegian subsidiary which uses NOK as its functional currency. During the first half of the year the NOK appreciated against the USD by approximately 7 percent which created foreign exchange gains. During the second half of the year the NOK devalued against the USD by approximately 37 percent which overall has created foreign exchange losses for the financial year ended 31 December 2008.

Result from share in associated company

The result from share in associated company for the financial year ended 31 December 2008 amounted to MSEK 29.3 (MSEK -) and is detailed in Note 10. The result from share in associated company consists of the 44.81 percent equity share of the result of PetroFalcon owned by Lundin Petroleum offset by the fair value adjustment to the investment in PetroFalcon arising from the sale of Lundin Petroleum's subsidiary, Lundin Latina de Petróleos SA.

Tax

The tax charge for the financial year ended 31 December 2008 amounted to MSEK 630.8 (MSEK 858.0) and is detailed in Note 11.

The negative current corporation tax charge of MSEK 77.1 (MSEK -91.3) for the financial year ended 31 December 2008 comprises a tax credit in Norway for 2008 exploration of MSEK 457.0 partly offset by current tax charges in France, the Netherlands, Tunisia, United Kingdom, Indonesia and Russia. The comparative period includes a credit received in United Kingdom relating to the 2003-2005 corporation tax returns of MSEK 48.6 and the tax credit of MSEK 371.6 in Norway for 2007 exploration expenditure.

The deferred tax charge for the financial year ended 31 December 2008 amounted to MSEK 707.9 (MSEK 766.7) and consists of corporation tax amounting to MSEK 691.9 (MSEK 748.8) and petroleum tax amounting to MSEK 16.0 (MSEK 17.9). Included in the deferred tax charge is a charge of MSEK 846.6 due to timing differences in the rate of depletion of oil and gas assets between accounting and fiscal reporting and a MSEK 228.5 deferred tax release following the reduction in the Russian tax rate from 24 percent to 20 percent.

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 20 percent and 78 percent. The effective tax rate for the Group for the financial year ended 31 December 2008 amounts to approximately 67 percent and is higher than forecast due to the low rate of deferred tax released on the exploration and impairment costs.

Minority interest

The net result attributable to minority interest for the financial year ended 31 December 2008 amounted to MSEK -249.7 (MSEK -4.5) and relates primarily to the minority portion of the Russian subsidiaries which are fully consolidated. The minority interest result contains a portion of the unsuccessful Laganskaya well expensed and the impairment costs associated with Kalmeastern and Oilgaztet.

BALANCE SHEET

Non-current assets

Oil and gas properties as at 31 December 2008 amounted to MSEK 20,996.2 (MSEK 16,776.1) and are detailed in Note 12. Development and exploration expenditure incurred for the financial year ended 31 December 2008 is as follows:

Development expenditures MSEK	2008	2007
United Kingdom	1,027.0	776.6
France	123.3	115.6
Norway	853.5	1,062.4
Netherlands	63.0	48.9
Indonesia	96.0	29.7
Russia	158.0	221.6
Tunisia	6.3	55.9
Development expenditures	**2,327.1**	2,310.7

Exploration expenditure MSEK	2008	2007
United Kingdom	175.2	401.9
France	45.7	4.6
Norway	932.5	476.6
Indonesia	58.6	98.3
Russia	541.7	300.5
Sudan	219.3	141.4
Ethiopia	16.8	56.5
Vietnam	47.3	47.4
Cambodia	63.2	–
Congo (Brazzaville)	22.5	28.5
Kenya	55.9	–
Malaysia	49.8	–
Other	36.1	61.7
Exploration expenditures	**2,264.6**	1,617.4

In 2008, the Group farmed out interests in its three operated blocks in Ethiopia to New Age (African Global Energy) Limited and received an amount of MSEK 17.1.

Other tangible assets as at 31 December 2008 amounted to MSEK 128.0 (MSEK 103.8) and represents office fixed assets and real estate.

The book value for goodwill in relation to the acquisition of the Russian business in 2006 amounted to MSEK 929.8 (MSEK 763.5) as at 31 December 2008. 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 2008 amounted to MSEK 895.3 (MSEK 538.9) and are detailed in Notes 14–20. Share in associated company amounted to MSEK 505.7 (MSEK -) and relates to the 44.81 percent share in PetroFalcon. Other shares and participations amounted to MSEK 121.6 (MSEK 245.7) as at 31 December 2008. The movement in other shares and participations mainly results from the sale of the 5 percent shareholding in Baripetrol, held by Lundin Latina de Petróleos S.A. which was sold to PetroFalcon on 1 February 2008. Restricted cash as at 31 December 2008 amounted to MSEK - (MSEK 23.8). Capitalised financing fees as at 31 December 2008 amounted to MSEK 75.7 (MSEK 63.4) and relate to the fees incurred in establishing the bank credit facility and are being amortised over the period of estimated usage of the facility. Long-term receivables as at 31 December 2008 amounted to MSEK 22.3 (MSEK 62.5) and relate to an amount paid to BNP Paribas to fund a bank loan held in a Russian jointly controlled entity. Other financial assets as at 31 December 2008 amounted to MSEK 169.9 (MSEK 143.5) and mainly represent VAT paid on costs in Russia that is expected to be recovered from VAT received on future project revenues.

The deferred tax asset as at 31 December 2008 amounted to MSEK 201.8 (MSEK 121.9).

Current assets

Receivables and inventories amounted to MSEK 1,680.6 (MSEK 1,543.4) as at 31 December 2008 and are detailed in Note 21–24. Inventories include hydrocarbons and consumable well supplies. The short-term loan receivable relates to the short term portion of the BNP Paribas funding described in financial assets above. Corporation tax receivables as at 31 December 2008 amounted to MSEK 461.3 (MSEK 396.1) and relate primarily to a tax refund due in Norway for exploration expenditure incurred during 2008.

Cash and cash equivalents as at 31 December 2008 amounted to MSEK 448.9 (MSEK 483.5). Cash balances were held at 31 December 2008 to meet operational requirements.

Non-current liabilities

Provisions as at 31 December 2008 amounted to MSEK 6,087.3 (MSEK 4,771.4) and are detailed in Note 26–29. This amount includes a provision for site restoration of MSEK 700.2 (MSEK 700.8).

The provision for deferred tax as at 31 December 2008 amounted to MSEK 5,266.6 (MSEK 4,037.8) 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. In accordance with IFRS the amounts for deferred tax asset have been offset against the deferred tax liability where offsetable. The net deferred tax liability includes tax losses carry forward relating primarily to Norway and United Kingdom of MSEK 823.0 and MSEK 439.9 respectively.

The provision for derivative instruments amounted to MSEK 54.9 (MSEK -) and relates to the long term portion of the fair value of the interest rate swap entered into on 8 January 2008.

Long term interest bearing debt amounted to MSEK 4,339.8 (MSEK 2,740.2) as at 31 December 2008. On 26 October 2007 a 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 USD 850 million revolving borrowing base and letter of credit facility with a seven year term expiring 2014 and a USD 150 million unsecured corporate facility with a three year term expiring 2010. Under the USD 850 million facility, USD 35 million of Letters of Credit in support of future site restoration costs payable to former owners of the Heather field, offshore United Kingdom, have been issued. The cash drawings outstanding under the credit facility amounted to MUSD 554.0 as at 31 December 2008. The long term interest bearing debt also includes the long-term portion of a bank loan drawn by a jointly controlled entity in Russia.

Lundin Petroleum has, through its subsidiary Lundin Malaysia BV, entered into three Production Sharing Contracts (PSC) with Petroliam Nasional Berhad, the oil and gas company of the Government of Malaysia ("Petronas"), in respect of the licences PM308A, PM308B and SB303 in Malaysia. BNP Paribas, on behalf of Lundin Malaysia BV has issued bank guarantees in support of the work commitments in relation to these PSCs amounting to MUSD 113.8. In addition, BNP Paribas has issued additional bank guarantees to cover work commitments in Indonesia, Kenya and Ethiopia amounting to MUSD 20.9.

Current liabilities

Current liabilities as at 31 December 2008 amounted to MSEK 2,026.5 (MSEK 1,767.4) and are detailed in Note 32–33. The overlift position as at 31 December 2008 amounted to MSEK 106.8 (MSEK 151.3). Joint venture creditors as at 31 December 2008 amounted to MSEK 954.5 (MSEK 898.3) and mainly relate to the amounts payable for the development activities in progress in Norway and ongoing operational costs. Short-term interest bearing debt as at 31 December 2008 amounted to MSEK 53.9 (MSEK 44.3) and relates to the current portion of a bank loan drawn by a jointly controlled entity in Russia. Tax payables as at 31 December 2008 amounted to MSEK 123.4 (MSEK 213.2). The short term portion of the fair value of the interest rate swap entered into on 8 January 2008 and the currency hedging contracts entered into in September 2008 included in current liabilities as at 31 December 2008 amounted to MSEK 304.5 (MSEK -).

LIQUIDITY

The current world economic crisis has put pressure on the Group's liquidity position through the generation of lower cash flows and a tightening of the credit markets. For a more detailed explanation refer to the Market Overview section on page 10. In November 2007, Lundin Petroleum entered into a secured revolving borrowing base facility of USD 850 million, of which USD 554 million has been drawn in cash and USD 35 million has been drawn as Letters of Credit, and an unsecured corporate facility of USD 150 million which remains undrawn as at 31 December 2008. With the undrawn credit lines and the operating cash flows being generated at the prevailing price levels Lundin Petroleum has sufficient liquidity to meet its financial commitments. The USD 850 million facility is a revolving borrowing base facility secured against certain cash flows generated by the company. The amount available under the facility is recalculated every six months based upon the calculated cash flow generated by certain producing fields at an oil price and economic assumptions agreed with the banking syndicate providing the facility. At 31 December 2008 the borrowing base amount calculated using prevailing oil prices amount equalled USD 1.1 billion which is in excess of the facility size.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm on 13 May 2009.

REMUNERATION TO MANAGEMENT

The Board of Directors is of the opinion that the principles of the Policy on Remuneration applied by the Company in 2008 provide for adequate remuneration to Group Management and support the Company in attracting and retaining qualified executives needed to achieve the strategic objectives of the Group. It is therefore the intention of the Board of Directors to propose to the 2009 AGM the adoption of a Policy on Remuneration that follows the same principles as applied in 2008, and that contains the same elements of remuneration, i.e. basic salary, yearly variable salary, long-term incentive plan ("LTIP"), pension arrangements and non-financial benefits.

The proposed 2009 LTIP is related to the Company's share price and is divided into one plan for senior executives and one plan for other management. The proposed LTIP for senior executives includes the issuance by Lundin Petroleum of phantom options exercisable after five years. The proposed LTIP for other management includes cash payments related to the Company's share price and are payable over a three year period. Lundin Petroleum's undertaking under the proposed LTIP may be secured through repurchase of shares and will not include any dilution of the share capital. The details of the proposed LTIP are described in the Board of Directors' complete proposal to the 2009 AGM.

The Board of Directors will further seek authorisation from the 2009 AGM to repurchase its own shares, inter alia, to secure its undertakings under the LTIP, if needed. In addition, the Board of Directors will seek authorisation to deviate from the Policy on Remuneration in case of special circumstances in a specific case.

For a detailed description of the remuneration policy applied in 2008 and the management remunerations for the year ended 31 December 2008 refer to Note 41.

SHARE INFORMATION

For the AGM resolution on issuance of new share capital share see page 33, The Lundin Petroleum Share and Shareholders.

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 33.

PROPOSED DISPOSITION OF UNAPPROPRIATED EARNINGS

The Board of Directors propose that the unrestricted equity of the Parent Company of TSEK 7,008,317, including the profit for the year of TSEK 62,778 be brought forward.

CHANGES IN BOARD

At the AGM 13 May 2008 Asbjørn Larsen was elected member of the Board of Directors of Lundin Petroleum. It is proposed that Dambisa F. Moyo be elected as a new member of the Board of Directors at the 2009 AGM.

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 75–80.

INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

Expressed in TSEK	Note	2008	2007
Operating income			
Net sales of oil and gas	1	6,269,130	5,353,654
Other operating income	1	124,607	130,641
		6,393,737	5,484,295
Cost of sales			
Production costs	2	-2,378,706	-2,266,911
Depletion of oil and gas properties	3	-1,032,068	-997,644
Exploration costs	4	-901,683	-369,596
Impairment costs for oil and gas properties	5	-613,693	–
Gross profit		**1,467,587**	1,850,144
Gain on sale of assets	6	130,547	–
Other income		3,000	3,285
General, administration and depreciation expenses	7	-139,665	-172,045
Operating profit		**1,461,469**	1,681,384
Result from financial investments			
Financial income	8	488,774	266,556
Financial expenses	9	-1,038,417	-137,429
		-549,643	129,127
Result from share in associated company	10	**29,298**	–
Profit before tax		**941,124**	1,810,511
Corporation tax	11	-614,781	-840,101
Petroleum tax	11	-16,056	-17,936
		-630,837	-858,037
Net result		**310,287**	952,474
Net result attributable to:			
Shareholders of the parent company		560,011	956,953
Minority interest		-249,724	-4,479
Net result		**310,287**	952,474
Earnings per share – SEK [1]	36	1.77	3.04
Diluted earnings per share – SEK [1]	36	1.77	3.03

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

DIRECTORS' REPORT
INCOME STATEMENT

BALANCE SHEET

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

Expressed in TSEK	Note	2008	2007
ASSETS			
Non current assets			
Oil and gas properties	12	20,996,161	16,776,124
Other tangible fixed assets	13	128,016	103,766
Goodwill	14	929,825	763,521
Shares in jointly controlled entities and associated companies	15	505,721	0
Other shares and participations	16	121,634	245,702
Long-term receivable		22,255	62,530
Deferred tax[1]	11	201,843	121,936
Other financial assets	18–20	245,676	230,706
Total non current assets		**23,151,131**	18,304,285
Current assets			
Inventories	21	206,161	167,714
Trade receivables	22	581,978	598,545
Prepaid expenses and accrued income	23	77,746	53,004
Short-term loan receivable		53,893	44,254
Derivative instruments	17	3,438	–
Tax receivable		461,293	396,121
Other receivables	24	296,129	283,745
Cash and cash equivalents		448,855	483,452
Total current assets		**2,129,493**	2,026,835
TOTAL ASSETS		**25,280,624**	20,331,120
EQUITY AND LIABILITIES			
Equity			
Share capital		3,179	3,155
Additional paid in capital		6,210,880	6,285,613
Other reserves	25	516,520	-723,490
Retained earnings		4,140,398	3,183,718
Net Profit		560,011	956,953
Shareholders equity		**11,430,988**	9,705,949
Minority interest		1,396,046	1,346,164
Total equity		**12,827,034**	11,052,113
Non-current liabilities			
Site restoration	26	700,206	700,763
Pension	27	10,140	9,478
Deferred tax[1]	11	5,266,552	4,037,827
Derivate instruments	17	54,896	–
Other provisions	28	55,546	23,353
Bank loans	29	4,339,769	2,740,168
Total non-current liabilities		**10,427,109**	7,511,589
Current liabilities			
Trade payables		276,443	300,121
Tax liability	11	123,429	213,175
Derivate instruments	17	304,459	–
Accrued expenses and prepaid income	32	102,837	88,584
Short-term interest bearing debt	29	53,893	44,254
Other liabilities	33	1,165,420	1,121,284
Total current liabilities		**2,026,481**	1,767,418
TOTAL EQUITY AND LIABILITIES		**25,280,624**	20,331,120
Pledged assets	34	4,605,804	3,446,804
Contingent liabilities	35	183,549	150,720

[1] The 2007 amounts have been adjusted by MSEK 722.1 to reflect the offset of deferred tax asset against deferred tax liability.

STATEMENT OF CASH FLOW

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

Expressed in TSEK	Note	2008	2007
Cash flow from operations			
Net result		310,287	952,474
Adjustments to cash flow from operations	37–38	3,820,673	2,195,247
Interest received		50,151	29,751
Interest paid		-73,976	-153,788
Income taxes paid		-408,895	-311,889
Changes in working capital			
Increase in inventories		-4,562	-53,877
Decrease in underlift position		6,409	9,251
Decrease/Increase in receivables		165,881	-405,721
Decrease/Increase in overlift position		-64,805	141,550
Increase in liabilities		163,801	774,708
Total cash flow from operations		**3,964,964**	3,177,706
Cash flow used for investments			
Investment in subsidiary assets	43	–	-67,760
Investment in associated company		-170,500	–
Investment in other shares and participations		-279,939	–
Proceeds from sale of other shares and participations		539,178	–
Change in other financial fixed assets		21,149	-6,170
Other payments		-1,334	622
Divestment of fixed assets		5,383	–
Investment in oil and gas properties		-4,591,836	-4,260,612
Investment in office equipment and other assets		-36,630	-21,415
Total cash flow used for investments		**-4,514,529**	-4,355,335
Cash flow from financing			
Long-term receivables granted		–	-117,849
Repayments received on long-term receivables		–	11,065
Proceeds from borrowings		1,570,732	2,070,776
Repayments of borrowings		-1,022,713	-554,674
Paid in financing fees		-13,885	-71,181
Proceeds from share issues		142,072	61,207
Purchase of own shares		-234,103	-4,395
Dividend paid to minority		-646	-765
Total cash flow from financing		**441,457**	1,394,184
Change in cash and cash equivalents		-108,108	216,555
Cash and cash equivalents at the beginning of the year		483,452	297,221
Currency exchange difference in cash and cash equivalents		73,511	-30,324
Cash and cash equivalents at the end of the year		**448,855**	483,452

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 2007	**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
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**
Transfer of prior year net result	–	–	–	956,953	-956,953	–	–
Currency translation difference	–	–	1,486,749	–	–	300,252	1,787,001
Change in fair value	–	–	-246,739	–	–	–	-246,739
Income and expenses recognised directly in equity	**–**	**–**	**1,240,010**	**–**	**–**	**300,252**	**1,540,262**
Net result	–	–	–	–	560,011	-249,724	310,287
Total recognised income and expense for the period	**–**	**–**	**1,240,010**	**–**	**560,011**	**50,528**	**1,850,549**
Transfer to income statement	–	–	–	–	–	–	–
Issuance of shares	24	142,048	–	–	–	–	142,072
Purchase of own shares	–	-234,103	–	–	–	–	-234,103
Transfer of share based payments	–	17,322	–	-17,322	–	–	–
Share based payments	–	–	–	17,049	–	–	17,049
Minority share in dividend	–	–	–	–	–	-646	-646
Balance at 31 December 2008	**3,179**	**6,210,880**	**516,520**	**4,140,398**	**560,011**	**1,396,046**	**12,827,034**

[1] Lundin Petroleum AB's issued share capital at 31 December 2008 amounted to SEK 3,179,106 represented by 317,910,580 shares with a quota value of SEK 0.01 each. Included in the number of shares issued at 31 December 2008 are 4,490,300 shares which Lundin Petroleum holds in its own name.

[2] Other reserves are described in detail in Note 25.

KEY FINANCIAL DATA

Data per share	2008	2007	2006	2005	2004
Shareholders' equity SEK per share [1]	36.49	35.02	33.63	14.32	9.34
Operating cash flow SEK per share [2]	12.96	9.91	8.05	10.22	5.89
Cash flow from operations SEK per share [3]	12.56	9.97	7.35	9.89	4.59
Earnings SEK per share [4]	1.77	3.04	2.86	3.89	2.37
Earnings SEK per share fully diluted [5]	1.77	3.03	2.85	3.87	2.34
EBITDA SEK per share fully diluted [6]	12.29	9.67	9.68	10.83	5.02
Dividend per share	–	–	–	–	–
Quoted price at the end of the financial year (regards the parent company), SEK	41.00	67.50	79.50	85.00	38.20
Number of shares issued at year end	317,910,580	315,550,580	314,215,080	257,140,166	253,748,366
Number of shares in circulation at year end	313,420,280	315,550,580	314,215,080	257,140,166	253,748,366
Weighted average number of shares for the year [7]	315,682,981	315,020,401	280,867,805	255,685,730	252,727,926
Weighted average number of shares for the year (fully diluted) [7]	315,682,981	315,409,915	282,251,337	256,974,123	255,134,255

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 attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year.

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

6 The Group's EBITDA divided by the weighted average number of shares for the year after considering the dilution effect of outstanding warrants. EBITDA is defined as operating profit before depletion of oil and gas properties, exploration costs, impairment costs and gain on sale of assets.

7 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	2008	2007	2006	2005	2004
Return on equity, % [8]	3	9	11	33	29
Return on capital employed, % [9]	11	14	22	49	32
Debt/equity ratio, % [10]	35	21	12	9	45
Equity ratio, % [11]	51	52	51	47	41
Share of risk capital, % [12]	71	71	81	70	60
Interest coverage ratio, % [13]	973	2,203	4,010	4,231	2,276
Operating cash flow/interest ratio [14]	3,797	3,631	4,848	5,833	3,862
Yield [15]	–	–	–	–	–

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

9 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).

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

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

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

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

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

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

ACCOUNTING PRINCIPLES

Introduction

Lundin Petroleum's Annual Report for 2008 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 2008 and the Annual Accounts Act (1995:1554). In addition RFR 1.1 "Supplementary Rules for Groups" has been applied as issued by the Swedish Financial Reporting Board.

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 available for sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

A description of the Company's operations and registered office is made in the paragraphs "Formation" and "Operations" in the Directors' report on page 40.

Accounting standards, amendments and interpretations effective in 2008

IFRIC 11,"IFRS 2 – Group and treasury share transactions". 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 any material impact on the group's financial statements.

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 accounting for the excess of the cost of an acquisition over the fair value of the assets acquired refer to "Goodwill".

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. 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.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity.

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 shares held in a company 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 percent but not more than 50 percent 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.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's percentage in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Other shares and participations

Investments where the shareholding is less than 20 percent of the voting rights are treated as available for sale financial assets. If the value of these assets have declined significantly or has lasted for a longer period, an impairment charge is recognised in the income statement. If the event causing the impairment no longer exists, the impairment charge can be reversed in the income statement unless it involves 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-licencees 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 is the currency the Group has elected to use as the presentation currency.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and foreign exchange currency differences are recognised in the income statement. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Exchange differences are included in Financial income/expenses in the income statement. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the balance sheet rate of exchange.

Presentation currency

The balance sheets and income statements of foreign subsidiary companies are translated for consolidation purposes 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 average rates of exchange for the year, except for transactions where it is more relevant to use the rate of the day of the transaction. The translation differences which arise are recorded directly in 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 arising from net investments in subsidiaries, used for financing exploration activities, are recorded directly in 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	9.6169	10.8700
1 USD equals SEK	6.5394	7.8106
1 NOK equals SEK	1.1693	1.1149
1 RUR equals SEK	0.2640	0.2633

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.

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 at least annually. If the carrying value exceeds its recoverable amount 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 subsequently not reversed.

Upon 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 percent 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 percent 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 Result on sale of assets in the income statement. In the event of a sale in the exploration stage any deficit is included in Result on sale of assets in the income statement. A gain or loss is recognised on the sale or farm-out of producing field when the depletion rate is materially changed.

Impairment tests are carried out at least annually and when there are facts and circumstances that suggest that the net book value of capitalised costs within each field area cost centre less any provision for site restoration costs, royalties and deferred production or revenue related taxes is higher than 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 carrying value, according to the above, exceeds the recoverable amount, which is the higher of value in use and fair value less costs to sell, determined through estimated future discounted net cash flows using prices and cost levels used by Group management in their internal forecasting. 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 of 20 years for real estate and 3 to 5 years for office equipment and other assets.

Additional costs to existing assets are included in the assets' net book value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The net book value of any replaced parts is written off. Other additional expenses are deemed to be repair and maintenance costs and are charged to the income statement when they are incurred.

The net book value is written down immediately to its recoverable amount when the net book value 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

In order to classify an asset as a non-current asset held-for-sale the carrying value needs to be assumed to be recovered through a sale transaction rather than through continuing use. It must also be available for immediate sale in its present condition and a sale must be highly probable. If the asset is classified as a non-current asset held-for-sale it will be recorded 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 assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or when impairment testing for an asset is required, the Group makes a formal assessment of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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 using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss. If indications exist that previously recognised impairment losses no longer exist or are decreased, the recoverable amount is estimated. When a previously recognised 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

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.

Lundin Petroleum recognises the following financial instruments:

- Loans and receivables are carried at amortised cost using the effective interest method less provision for impairment. Translation differences are reported in the income statement except for the translation differences arising from long term loans to subsidiaries, used for financing exploration activities, which are recorded 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 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 remains in shareholders' equity until the forecast transaction no longer is expected to occur, at which point it is being 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.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until these shares are cancelled or sold. Where these shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects, is included in equity attributable to the Company's equity holders.

The change in fair value of Other 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 remains in shareholders' equity until the hedged item effects 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 legal or constructive 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 recorded to recognise the future commitment. 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 and consistent with the treatment applied upon initial recognition.

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 take a substantial period of time to complete 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.

Lundin Petroleum recognises cash-settled share-based payments in the income statement as expenses during the vesting period and as a liability in relation to the long-term incentive plan. The liability is measured at fair value and revalued at each balance sheet date and at the date of settlement, with any change in fair value recognised in the income statement for the period.

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 values 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 provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. 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. Movements in deferred tax assets and liabilities are reported in the income statement unless they relate to items recorded directly in shareholders' equity.

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, in line with the approach of management, 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, directly or indirectly, 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. For 2008, impairment charges were recorded for oil and gas properties based upon the value in use from those assets.

Investments in associated companies

The Group determines if the carrying value for investments in associated companies has suffered any impairment where any objective evidence of impairment exists. This assessment is performed to identify where the carrying value exceeds its recoverable amount. The recoverable amounts have been determined based on value in use calculations. Assessments used in these calculations include judgement of the future cash flows, discount rates and exchange rates. No impairment has been recorded for 2008.

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 treated 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 net 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. No impairment has been recorded for 2008.

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 both relating to approved and not yet approved developments by the EU and are not mandatory for the 2008 financial statements and have not been early adopted. They related to the group's accounting periods beginning on or after 1 January 2009 or later periods:

IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2009). 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 2009, but it is not expected to have any impact on the group's financial statements.

IFRIC 16, "Hedges of a net investment in a foreign operation" (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. IFRIC 16 is not relevant to the group's operations.

IFRS 2 (Amendment), "Share-based payment" (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the group's financial statements.

IFRS 3 (Revised), "Business combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

IFRS 5 (Amendment), "Non-current assets held-for-sale and discontinued operations" (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. The group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

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 and it is expected to have no material change to the disclosures.

IAS 1 (Amendment/Revised), "Presentation of financial statements" (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's financial statements.

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and the statement of comprehensive income will be presented.

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. In addition the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method as defined in IAS 39. The group will apply IAS 23 (Amended) prospectively from 1 January 2009.

IAS 27 (Amendment/Revised), "Consolidated and separate financial statements" (effective from 1 January 2009). Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the group's operations because it is the group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

The revised standard (effective 1 July 2009) requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

IAS 28 (Amendment), "Investments in associates"(and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS

7, "Financial instruments: Disclosures") (effective from 1 January 2009). Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the group's operations because it is the group's policy for an investment in an associate to be equity accounted in the group's consolidated accounts.

IAS 32 (Amendment), "Financial Instruments: Presentation", IFRS 7, "Financial instruments: Disclosures") and IAS 1 (Amendment), "Presentation of financial statements"– "Puttable financial instruments and obligations arising on liquidation" (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The group will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 January 2009.
The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The group will apply the IAS 32 and IAS 1(Amendment) from 1 January 2009. It is not expected to have any impact on the group's financial statements.

IAS 36 (Amendment), "Impairment of assets"(effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group will apply the amendment and provide the required disclosure where applicable for impairment tests from 1 January 2009.

IAS 38 (Amendment), "Intangible assets"(effective from 1 January 2009). The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method and a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment will not have an impact on the group's operations.

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments'. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the group will not formally document and test this relationship.

When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's income statement.

Interpretations and amendments to existing standards that are not yet effective and not relevant to the Group

IFRIC 15, "Agreements for construction of real estates" (effective from 1 January 2009).

IFRS 1 (Amendment) "First time adoption of IFRS", and IAS 27 "Consolidated and separate financial statements" (effective from 1 January 2009).

IAS 16 (Amendment), "Property, plant and equipment" (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).

IAS 19 (Amendment), "Employee benefits" (effective from 1 January 2009).

IAS 20 (Amendment), "Accounting for government grants and disclosure of government assistance"(effective from 1 January 2009).

IAS 29 (Amendment), "Financial reporting in hyperinflationary economies" (effective from 1 January 2009).

IAS 31 (Amendment), "Interests in joint ventures" (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).

IAS 40 (Amendment), "Investment property"(and consequential amendments to IAS 16) (effective from 1 January 2009).

IAS 41 (Amendment), "Agriculture" (effective from 1 January 2009).

NOTES TO THE FINANCIAL STATEMENTS OF THE GROUP

NOTE 1 – SEGMENTAL INFORMATION (TSEK)

	2008	2007
Operating income		
Net sales of:		
Crude oil		
- United Kingdom	2,200,178	2,440,631
- France	803,075	651,961
- Norway	1,330,259	112,668
- Indonesia	290,979	295,493
- Russia	816,039	637,454
- Tunisia	335,153	923,214
- Netherlands	4,561	–
	5,780,244	5,061,421
Condensate		
- United Kingdom	21,197	22,306
- Netherlands	7,442	7,920
- Indonesia	2,327	1,402
	30,966	31,628
Gas		
- Norway	80,475	417
- Netherlands	377,026	259,014
- Indonesia	419	1,174
	457,920	260,605
	6,269,130	5,353,654
Other income:		
- United Kingdom	59,457	78,873
- France	15,960	12,156
- Norway	36,131	16,721
- Netherlands	9,186	8,208
- Russia	295	219
- Indonesia	–	8,842
- Other	3,578	5,622
	124,607	130,641
Total operating income	**6,393,737**	5,484,295
Operating profit contribution		
- United Kingdom	646,034	684,744
- France	548,519	421,824
- Norway	1,102,027	-19,823
- Netherlands	218,066	122,860
- Russia	-564,822	94,435
- Indonesia	15,120	31,113
- Tunisia	34,795	524,796
- Sudan	-482,965	–
- Other	-55,305	-178,565
Total operating profit contribution	**1,461,469**	1,681,384

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

	2008 SEK	2008 USD	2007 SEK	2007 USD
Average crude sales price, per barrel or boe				
- United Kingdom	630.49	96.41	485.41	71.91
- France	605.73	92.63	497.34	73.68
- Norway	591.48	90.45	450.99	66.81
- Netherlands	463.61	70.90	325.00	48.15
- Indonesia	607.64	92.92	472.78	70.04
- Russia	411.02	62.85	315.90	46.80
- Tunisia	760.03	116.22	467.48	69.25
Consolidated	**570.80**	**87.29**	443.18	65.65
Average depletion cost, per barrel or boe				
- United Kingdom	110.78	16.94	87.35	12.94
- France	59.44	9.09	47.52	7.04
- Norway	107.90	16.50	87.69	12.99
- Netherlands	107.31	16.41	86.54	12.82
- Indonesia	33.94	5.19	36.99	5.48
- Russia	33.74	5.16	33.21	4.92
- Tunisia	158.84	24.29	131.50	19.48
Consolidated	**87.17**	**13.33**	78.78	11.67

	Assets		Equity and Liabilities	
	2008 TSEK	2007 TSEK	2008 TSEK	2007 TSEK
United Kingdom	4,911,488	3,498,400	4,224,200	3,174,013
France	1,844,737	1,570,167	781,315	603,894
Norway	5,663,022	4,427,897	4,876,864	3,062,632
Netherlands	1,649,250	924,130	355,935	228,900
Russia	9,904,608	8,438,466	1,599,842	1,666,975
Indonesia	363,913	306,077	186,052	201,887
Tunisia	166,832	429,208	142,039	176,419
Sudan	28,809	242,326	78,959	73,327
Congo (Brazzaville)	147,372	97,639	26,797	13,726
Ethiopia	98,398	62,162	22,491	13,471
Kenya	82,999	10,992	17,406	3,434
Vietnam	129,549	49,277	33,284	9,029
Cambodia	76,291	626	16,906	–
Malaysia	64,653	163	21,735	–
Venezuela	–	127,095	–	4,894
Other	148,703	146,495	69,765	46,406
Assets/Liabilities per country	**25,280,624**	20,331,120	**12,453,590**	9,279,007
Shareholders' equity	N/A	N/A	11,430,988	9,705,949
Minority interest	N/A	N/A	1,396,046	1,346,164
Total equity for the group	**N/A**	N/A	**12,827,034**	11,052,113
Group total	**25,280,624**	20,331,120	**25,280,624**	20,331,120

See also Note 12 for detailed information of the oil and gas properties per country.

NOTE 2 – PRODUCTION COSTS (TSEK)

Production costs comprise:	2008	2007
Cost of operations	1,660,573	1,562,941
Tariff and transportation expenses	213,116	195,728
Direct production taxes	527,978	385,052
Change in lifting position	-25,527	140,799
Inventory movement – hydrocarbons	-2,389	-20,517
Inventory movement – well supplies	4,955	2,908
	2,378,706	2,266,911

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

Depletion of oil and gas properties per country:	2008	2007
United Kingdom	410,523	435,820
France	82,867	60,325
Norway	255,894	21,738
Netherlands	90,048	71,081
Indonesia	28,968	35,147
Russia	70,620	68,487
Tunisia	93,148	305,046
	1,032,068	997,644

NOTE 4 – EXPLORATION COSTS (TSEK)

Exploration costs were as follows:	2008	2007
United Kingdom	134,984	172,372
Russia	234,071	–
Indonesia	4,078	80,730
Norway	–	59,253
Albania	45	31,214
Singapore	8,844	8,651
Sudan	482,738	–
Netherlands	10,135	–
Other – project appraisal	26,788	17,376
	901,683	369,596

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.

During 2008, the Ridgewood exploration well 12/17b-1 on Licence P1301 in the United Kingdom, the L7M exploration well in the Netherlands and the Nyal-1 exploration well, the Wan Machar-1 exploration well and the Muny Deng exploration well in Sudan Block 5B were plugged and abandoned as dry holes. During 2008 the decision was made that the Torphins well in the United Kingdom and the Laganskaya well in the Russian Caspian Sea were not commercially viable and costs associated with drilling of these wells were expensed. Due to the disappointing drilling campaign and the uncertainty regarding the future exploration potential in Sudan Block 5B, all of the historical exploration costs that had been capitalised were expensed in the fourth quarter of 2008. Other exploration costs are new venture projects.

NOTE 5 – IMPAIRMENT COSTS FOR OIL AND GAS PROPERTIES (TSEK)

Impairment costs for oil and gas properties were as follows:	2008	2007
Russia	396,396	–
Tunisia	150,586	–
Indonesia	66,711	–
	613,693	–

At the end of 2008, the carrying value of the Tunisian Oudna field and Russian fields in Kalmeastern and Oilgaztet were written down to the value in use following a downward revision of reserves for MSEK 150.6, MSEK 298.3 and MSEK 98.1 respectively. In addition, there was a partial impairment of the Salawati Island, Indonesia asset to the value in use primarily resulting from lower oil price assumptions amounting to MSEK 66.7. Refer to Note 12 on page 66 for further details regarding the impairment testing.

NOTE 6 – SALE OF ASSETS (TSEK)

Sale of assets were as follows:	2008	2007
Lundin Latina de Petróleos S.A.	89,822	–
Jotun field, Norway	39,472	–
Solan field, UK	1,211	–
Other	42	–
	130,547	–

NOTE 7 – REMUNERATION TO THE GROUP'S AUDITORS (TSEK)

Remuneration to the Group's auditors for	2008	2007
Audit fees		
- PricewaterhouseCoopers	7,572	7,220
- Other	840	480
	8,412	7,700
Other		
- PricewaterhouseCoopers	434	539
- Other	–	40
	434	579
Total	**8,846**	8,279

NOTE 8 – FINANCIAL INCOME (TSEK)

Financial income comprise:	2008	2007
Interest income	55,988	37,708
Dividends received	12,022	22,499
Foreign currency exchange gain, net	–	190,954
Insurance proceeds	131,814	–
Gain on sale of shares	259,239	–
Guarantee fee	25,674	–
Fair value adjustment on pension	815	–
Release provision for bad debt	3,222	15,395
	488,774	266,556

The gain on sale of shares amounting to TSEK 259,239 (TSEK -) relates to an investment in Revus Energy ASA.

The guarantee fee amounting to TSEK 25,674 (TSEK -) relates to the external portion of the value of the shares received from PetroFalcon for providing a guarantee. The income reported is after eliminating the portion equal to Lundin Petroleum's ownership percentage in PetroFalcon.

NOTE 9 – FINANCIAL EXPENSES (TSEK)

Financial expenses comprise:	2008	2007
Loan interest expenses	107,774	86,104
Change in market value of interest rate hedge	–	-11
Result on interest rate hedge settlement	1,236	–
Foreign currency exchange loss, net	871,053	–
Unwind site restoration discount	31,263	35,387
Amortisation of deferred financing fees	11,415	7,654
Other financial expenses	15,676	8,295
	1,038,417	137,429

NOTE 10 – RESULT FROM SHARE IN ASSOCIATED COMPANY (TSEK)

Result from share in associated company was as follows:	2008	2007
Negative goodwill upon acquisition	52,170	–
Group's share of net result	-22,872	–
	29,298	–

The negative goodwill amounting to TSEK 52,170 (TSEK -) relates to the acquisition of shares in PetroFalcon.

NOTE 11 – TAXES (TSEK)

Tax charge	Corporation tax		Petroleum tax	
The tax charge comprises:	2008	2007	2008	2007
Current				
- United Kingdom	16,754	9,659	–	–
- France	189,000	126,085	–	–
- Norway	-457,607	-366,084	–	–
- Netherlands	78,441	42,997	–	–
- Indonesia	38,351	35,396	–	–
- Russia	20,379	28,353	–	–
- Tunisia	35,351	207,267	–	–
- Venezuela	–	5,998	–	–
- Switzerland	2,224	1,652	–	–
	-77,107	91,323	**–**	–
Deferred				
- United Kingdom	349,110	264,556	16,056	17,936
- France	8,780	28,048	–	–
- Norway	698,343	417,618	–	–
- Netherlands	-80,362	-90,970	–	–
- Indonesia	-21,602	12,389	–	–
- Russia	-298,807	8,599	–	–
- Tunisia	21,333	50,881	–	–
- Congo (Brazzaville)	4,921	4,696	–	–
- Kenya	13,047	747	–	–
- Vietnam	11,451	9,503	–	–
- Ethiopia	5,538	9,604	–	–
- Malaysia	12,915	–	–	–
- Cambodia	13,772	–	–	–
- Singapore	171	4,629	–	–
- Albania	–	-7,594	–	–
- Sudan	-46,722	36,072	–	–
	691,888	748,778	**16,056**	17,936
Total tax	**614,781**	840,101	**16,056**	17,936

The total tax charge amounts to TSEK 630,837 (TSEK 858,037). Included in this amount is a deferred tax release following the reduction in the Russian tax rate from 24% to 20% amounting to TSEK 228,500 (TSEK -).

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:

	2008	2007
Profit before tax	941,124	1,810,511
Tax calculated at the corporate tax rate in Sweden (28%)	-263,515	-506,943
Effect of foreign tax rates	-145,728	-389,270
Tax effect of expenses non-deductible for tax purposes	-892,982	-69,819
Tax effect of deduction for petroleum tax	61,941	-14,883
Tax effect of income not subject to tax	180,201	49 953
Tax effect of utilisation of unrecorded tax losses	122,007	39 028
Tax effect of creation of unrecorded tax losses	–	-36,354
Adjustments to prior year deferred taxes	226,571	61,457
Adjustments to prior year tax assessments	80,668	8,794
	-630,837	-858,037

Tax liability - current and deferred	Current tax liability		Deferred tax liability	
	2008	2007	2008	2007
Corporation tax				
- United Kingdom	4,272	58,106	1,936,341	1,545,002
- France	68,308	41,939	269,291	196,449
- Norway	–	5,657	1,351,973	1,535,120
- Netherlands	33,701	5,631	72,638	109,304
- Indonesia	8,938	21,678	108,857	106,601
- Russia	-6,776	5,112	1,400,036	1,448,867
- Tunisia	14,986	71,685	17,896	7,798
- Venezuela	–	3,367	–	–
- Congo (Brazzaville)	–	–	20,799	12,253
- Sudan	–	–	–	38,004
- Kenya	–	–	16,447	710
- Vietnam	–	–	24,672	9,029
- Ethiopia	–	–	18,204	9,517
- Malaysia	–	–	15,425	–
- Cambodia	–	–	16,449	–
- Singapore	–	–	5,560	4,398
Total corporation tax liability	**123,429**	213,175	**5,274,588**	5,023,052
Petroleum tax				
- United Kingdom	–	–	-8,036	-263,094
Total petroleum tax liability	–	–	**-8,036**	-263,094
Total tax liability	**123,429**	213,175	**5,266,552**	4,759,958

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 tax authorities (Skatteverket) conducted a tax audit of Lundin Petroleum AB for the financial years 2002 to 2003. The tax authorities disallowed a portion of expenses recharged to Lundin Petroleum AB by group companies for costs associated with management services and certain other fees. 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 charged penalties on the value of the taxable effect of the disallowed costs amounting to TSEK 5,038.1. The decision was appealed to the County Administrative Court in Stockholm and an extension for the payment of the penalty tax was obtained. In its decision of 15 December 2008, the County Administrative Court partly overruled the decision of the tax authorities. However, the full deduction of management fees and certain other fees was rejected. The decision has been appealed to the Administrative Court of Appeal with regard to the deduction of management fees and the penalty tax as the Company believes that the management costs are a valid charge to the parent company of the Lundin Petroleum Group and that penalty tax should not be levied. An extension for the payment of the penalty tax, which following the decision of the County Administrative Court now amounts to TSEK 4,906.6, has been granted and as such, Lundin Petroleum has not made a provision in the accounts for the penalty tax charged.

continued – NOTE 11

Specification of deferred tax assets and tax liabilities	2008	2007
Deferred tax assets		
Unused tax loss carry forwards	1,438,240	1,060,912
Deferred tax on excess values	–	17,038
Uplift	–	802
Fair value of derivative instruments	41,397	–
Other deductible temporary differences	11,192	28,409
	1,490,829	1,107,161
Deferred tax liabilities		
Accelerated allowances	5,127,565	3,396,144
Fair value of derivative instruments	151	–
Exchange gains and losses	–	184,278
Capitalised acquisition cost	8,852	6,555
Deferred tax on excess values	1,400,512	1,429,217
Other taxable temporary differences	18,458	6,858
	6,555,538	5,023,052

The deferred tax asset is primarily relating to tax loss carried forwards in Norway for an amount of TSEK 823,031 (TSEK 718,826) and United Kingdom for an amount of TSEK 439,895 (TSEK 263,094). Deferred tax assets in relation to tax loss carried forwards 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 316.7 which in part are not yet assessed. The majority of the tax losses can be utilised up to 9 years. A deferred tax asset relating to the tax loss carry forwards has not been recognised as at 31 December 2008 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 12 – OIL AND GAS PROPERTIES (TSEK)

	2008	2007
Production cost pools	9,162,955	5,558,578
Non-production cost pools	11,833,206	11,217,546
	20,996,161	16,776,124

2008 production cost pools	UK	France	Norway	Netherlands	Indonesia	Russia	Tunisia	Total
Cost								
1 January	4,023,862	1,442,567	258,340	826,792	369,358	850,687	639,285	8,410,891
Additions	1,027,021	123,319	1,008	63,019	18,836	157,954	6,299	1,397,456
Disinvestments	–	–	-242,829	-306,899	–	-855	–	-550,583
Change in estimates	–	298	–	–	–	3,307	42,907	46,512
Reclassifications	–	–	2,983,985	66	–	–	–	2,984,051
Currency translation difference	946,986	235,172	-1,096	95,327	87,970	88,208	121,931	1,574,498
31 December	5,997,869	1,801,356	2,999,408	678,305	476,164	1,099,301	810,422	13,862,825
Depletion								
1 January	-1,368,736	-375,787	-93,627	-394,580	-110,914	-98,962	-409,707	-2,852,313
Depletion charge for the year	-410,523	-82,867	-255,894	-90,048	-28,968	-70,620	-93,148	-1,032,068
Impairment	–	–	–	–	-66,711	-396,396	-150,586	-613,693
Disinvestments	–	–	110,126	306,899	–	–	–	417,025
Reclassifications	–	–	–	–	1,595	–	–	1,595
Currency translation difference	-379,605	-68,510	11,017	-33,445	-35,026	-28,585	-86,262	-620,416
31 December	-2,158,864	-527,164	-228,378	-211,174	-240,024	-594,563	-739,703	-4,699,870
Net book value	**3,839,005**	**1,274,192**	**2,771,030**	**467,131**	**236,140**	**504,738**	**70,719**	**9,162,955**

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
Impairment	-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**

2008 non-production cost pools	1 January	Acquired on acquisition	Additions	Disposals	Write-offs	Changes in estimate	Reclassification	Currency translation difference	31 December
Norway	3,638,524	–	1,784,987	-14,690	–	–	-2,983,983	-301,792	2,123,046
United Kingdom	513,784	–	175,205	-1,647	-134,984	–	414	119,305	672,077
France	–	–	45,724	–	–	–	–	5,958	51,682
Netherlands	–	–	11,264	–	-10,135	–		147	1,276
Indonesia	60,689	–	145,204	–	-12,922	–	-2,270	39,214	229,915
Russia	6,554,659	–	541,703	–	-234,071	–	4,481	1,320,428	8,187,200
Tunisia	703	–	609	–	–	–	–	277	1,589
Albania	–	–	45	–	-45	–	–	–	–
Nigeria	–	–	19	–	-7	–	–	3	15
Ireland	2,659	–	7,020	–	-4,086	–	–	779	6,372
Sudan	222,967	–	219,344	–	-482,738	–	–	40,427	–
Congo (Brazzaville)	96,477	–	22,488	–	–	–	–	25,385	144,350
Ethiopia	55,251	–	16,797	–	–	–	–	15,571	87,619
Kenya	8,394	–	55,932	–	–	–	–	12,849	77,175
Vietnam	46,707	–	47,307	–	–	–	–	19,369	113,383
Cambodia	454	–	63,240	–	–	–	–	12,391	76,085
Malaysia	–	–	49,819	–	–	–	–	9,844	59,663
Other	16,278	–	7,670	–	-22,695	–	–	506	1,759
Net book value	**11,217,546**	**–**	**3,194,377**	**-16,337**	**-901,683**	**–**	**-2,981,358**	**1,320,661**	**11,833,206**

2007 non-production cost pools	1 January	Acquired on acquisition	Additions	Disposals	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	33,831	–	121,367	–	-89,381	–	252	-5,380	60,689
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
Ethiopia	1,645	–	56,534	–	–	–	–	-2,928	55,251
Kenya	–	–	8,835	–	–	–	–	-441	8,394
Vietnam	1,795	–	47,394	–	–	–	–	-2,482	46,707
Cambodia	–	–	477	–	–	–	–	-23	454
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**

continued – NOTE 12

In 2008 the reclassification from Non-Production cost pools to Production cost pools related to the production start on the Alvheim field.

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

Impairment testing
Lundin Petroleum carried out its annual impairment tests at 31 December 2008 in conjunction with the annual reserves certification process. Lundin Petroleum used an oil price deck comprising the forward price curve prevailing at the year end for three years and then a fixed price of USD 65 per barrel and a discount rate of 8% to calculate the future cash flows. Refer to Note 5 on page 62 for detailed information relating to the impairment costs for the financial year ended 31 December 2008.

Capitalised interest
The capitalised interest costs included within the costs of oil and gas properties amounts to MSEK 67.3 (MSEK 76.7) 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 2,749.8 (MSEK 1,390.4) of which third parties who are joint venture partners have contractually agreed to contribute approximately MSEK 572.0 (MSEK 571.4).

NOTE 13 – OTHER TANGIBLE ASSETS (TSEK)

	2008			2007		
Other tangible fixed assets:	Real estate	Office equipment and other assets	Total	Real estate	Office equipment and other assets	Total
Cost						
1 January	65,649	77,859	143,508	71,259	83,896	155,155
Additions	3,177	33,454	36,631	-1,481	21,415	19,934
Write-off	–	-5,014	-5,014	-12	-4,599	-4,611
Reclassification	–	-2,035	-2,035	–	-19,051	-19,051
Currency translation difference	13,470	10,953	24,423	-4,117	-3,802	-7,919
31 December	82,296	115,217	197,513	65,649	77,859	143,508
Depreciation						
1 January	-2,615	-37,127	-39,742	-716	-37,015	-37,731
Depreciation charge for the year	-4,828	-20,087	-24,915	-1,902	-13,223	-15,125
Disposal	–	2,135	2,135	–	4,588	4,588
Reclassification	–	-2,251	-2,251	–	5,530	5,530
Currency translation difference	-306	-4,418	-4,724	3	2,993	2,996
31 December	-7,749	-61,748	-69,497	-2,615	-37,127	-39,742
Net book value	**74,547**	**53,469**	**128,016**	63,034	40,732	103,766

Depreciation charge for the year reflects depreciation according to plan which is based on cost and an estimated useful life of 20 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.

NOTE 14 – GOODWILL

The book amount for goodwill recorded at 31 December 2008 is in relation to the acquisition of Valkyries per 31 July 2006.

Goodwill comprises:	**2008**	**2007**
1 January	763,521	817,185
Currency translation difference	166,304	-53,664
31 December	**929,825**	763,521

The goodwill is tested for impairment on an annual basis by reference to the underlying assets from which it originates. The goodwill was created upon the acquisition of Valkyries in 2006 and is primarily assigned to the Lagansky exploration block and associated areas and activities. The goodwill book value at 31 December 2008 is supported by the future potential cash flows from the oil discovery made on the Lagansky Block and the further exploration potential as well as any possible future projects arising therefrom.

NOTE 15 – 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 2008	Book amount 31 December 2007
PetroFalcon Corp.	Equity	71,020,500	44.81	505,721	–
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	Direct 100.00, indirect 50.00	–	–
- LLC Zapolyarneftegas [1]		1	Direct 100.00, indirect 50.00	–	–
- LLC NK Recher-Komi [1]		1	Direct 100.00, indirect 50.00	–	–
- Geotundra BV [1]		20,000	Direct 100.00, indirect 50.00	–	–
				505,721	0

[1] Through the proportional consolidation of RF Energy Investments Ltd. the subsidiaries of RF Energy Investments Ltd. are also proportionally consolidated in the Lundin Petroleum accounts. "Direct"refers to RF Energy's ownership percentage, "indirect" refers to the Group's ultimate ownership percentage.

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., holding a 5% interest in Baripetrol SA, 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% of the issued and outstanding common shares of PetroFalcon. The fair value of the 64 million shares received amounted to TSEK 481,264 upon initial measurement resulting in a gain on sale of assets of TSEK 89,822 and a negative goodwill of TSEK 52,170. 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. In April 2008, PetroFalcon entered into an agreement to acquire the Venezuelan assets of Anadarko Petroleum Corporation. Lundin Petroleum agreed to guarantee certain of PetroFalcon's obligations under that agreement and in part consideration, received 7.1 million shares of PetroFalcon, which together with Lundin Petroleum's existing shares of PetroFalcon, represent approximately 45% of the issued and outstanding common shares of PetroFalcon. The agreement with Anadarko did not receive governmental approval and, as a result, Lundin Petroleum has no remaining guarantee outstanding. 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 30.6 million barrels of oil equivalent (MMboe) as of 1 January 2009. These reserves have also been the basis for calculating the value in use for the Group's investment in PetroFalcon using the same economic parameters as the Group used in the impairment tests of the oil and gas properties. No impairment has been recorded in 2008.

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

Income statement per 31 December 2008	PetroFalcon Corp.	Ikdam Productions SA	Oil Service	RF Energy consolidated
Revenue	–	19,628	2,390	1,255,035
Operating cost	–	26,187	-2,331	-1,080,865
Net result	-103,626	-16,301	-269	73,732

Balance Sheet per 31 December 2008	PetroFalcon Corp.	Ikdam Production SA	Oil Service	RF Energy consolidated
Non-current assets	479,868	71,302	5,373	989,254
Current assets	267,708	8,082	885	164,819
Total assets	747,576	79,384	6,258	1,154,073
Equity	740,666	-52,448	2,014	567,253
Non-current liabilities	–	131,010	781	348,961
Current liabilities	6,910	822	3,463	237,859
Total liabilities	747,576	79,384	6,258	1,154,073

NOTE 16 – OTHER SHARES AND PARTICIPATIONS (TSEK)

Other shares and participation comprise:	Number of shares	Share %	Book amount 31 Dec 2008	Book amount 31 Dec 2007
Baripetrol SA	–	–	–	120,987
Noorderlijke Aardgas Transportmij B.V. (NOGAT)	11,098,015	1.81	112,109	101,059
Cofraland B.V.	31	7.75	3,287	2,855
Island Oil and Gas plc	4,000,000	3.62	6,205	20,772
Maison de la géologie	2	1.25	33	29
			121,634	245,702

For Baripetrol SA refer to Note 15.

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 2008, the other shares and participations include MSEK 3.3 recognised at cost because their fair value cannot 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 17 – 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. Although having various functional currencies, among which NOK, EUR and RUR, 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 following table 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 2008.

Operating result in the financial statements (MSEK)	1,461.5	1,461.5
USD/SEK	5,8894	7,1894
Total effect on operating result (MSEK)	-69.4	69.4

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 2008:

Net result in the financial statements (MSEK)	310.3	310.3
Possible shift (USD/boe)	-5	5
Total effect on net result (MSEK)	-166.6	166.6

continued – NOTE 17

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 2008:

Net result in the financial statements	310.3	310.3
Possible shift (%)	-10	10
Total effect on net result	-6.9	6.9

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 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. In addition, liquidity and funding risks and 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 cash drawings outstanding under the credit facility amounted to MUSD 554.0 (MUSD 418.0) as at 31 December 2008.

It is expected that the Group's ongoing development and exploration expenditure requirements will be funded by the Group's operating cash flows and loan facility. No loan repayments are required for the credit facility in 2009 and 2010.

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

Expressed in TSEK	Loan receivables and other receivables	Available -for-sale	Derivatives used for hedging	Financial liabilities valued at amortised cost
Assets				
Other shares and participations		121,634		
Long-term receivable	22,255			
Trade receivables	581,978			
Short-term loan receivable	53,893			
Derivative instruments			3,438	
Cash and cash equivalents	448,855			
	1,106,981	**121,634**	**3,438**	
Liabilities				
Trade Payables				276,443
Bank loans				4,339,769
Derivative instruments			359,355	
Short-term interest-bearing debt				53,893
			359,355	**4,670,105**

Outstanding derivative instruments

Fair value of outstanding derivative instruments in the balance sheet:	31 December 2008 Assets	31 December 2008 Liabilities	31 December 2007 Assets	31 December 2007 Liabilities
Interest rate swaps	–	94,282	–	–
Oil hedge contracts	–	–	–	–
Foreign exchange forward contracts	3,438	265,073	–	–
Total	**3,438**	**359,355**	–	–
Non-current	–	54,896	–	–
Current	3,438	304,459	–	–
Total	**3,438**	**359,355**	–	–

As at 31 December 2008 the Group had entered into an interest hedging contract, 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.

As at 31 December 2008, the Group had entered into the following foreign exchange forward contracts for 2009 fixing the rate of exchange from USD into GBP, EUR, NOK and CHF, in order to limit the foreign exchange rate exposure from operational costs in foreign subsidiaries.

Buy	Sell	Average contractual exchange rate	Settlement period
MGBP 78.0	MUSD 139.8	USD 1.79: 1 GBP	2 Jan 2009 – 16 Dec 2009
MEUR 21.6	MUSD 31.6	USD 1.47: 1 EUR	2 Jan 2009 – 1 Dec 2009
MNOK 192.0	MUSD 33.7	NOK 5.70: 1USD	2 Jan 2009 – 1 Dec 2009
MCHF 12.0	MUSD 11.2	CHF 1.07: 1 USD	2 Jan 2009 – 16 Dec 2009

For risks in the financial reporting see the section Internal Control for financial reporting within Corporate Governance on page 25–28 for more information and for operational risk factors see page 38 for more information.

NOTE 18 – RESTRICTED CASH

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

NOTE 19 – DEFERRED FINANCING FEES

The deferred financing fees amounted to TSEK 75,748 (TSEK 63,369) and related to the costs incurred for establishing the bank credit facility and are being amortised over the estimated usage of the facility. In 2008 amortisation expenses amounted to TSEK 11,415 (TSEK 7,654). See also Note 9.

NOTE 20 – OTHER FINANCIAL ASSETS

Other financial assets amount to TSEK 169,928 (TSEK 143,506) 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 21 – INVENTORIES (TSEK)

Inventories comprise:	31 December 2008	31 December 2007
Hydrocarbon stocks	103,735	69,290
Drilling equipment and consumable materials	102,426	98,424
	206,161	167,714

Drilling equipment and consumable material comprises:	2008	2007
1 January	98,424	75,396
Acquired on acquisition	–	519
Purchase	22,671	68,492
Used in production	-28,522	-46,286
Currency translation difference	10,252	395
	102,825	98,516
Provisions	-399	-92
31 December	**102,426**	98,424

NOTE 22 – TRADE RECEIVABLES (TSEK)

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

NOTE 23 – PREPAID EXPENSES AND ACCRUED INCOME (TSEK)

Prepaid expenses and accrued income comprises:	31 December 2008	31 December 2007
Prepaid rent	7,797	8,051
Joint venture balances	14,250	4,882
Prepaid insurances	5,377	3,795
Accrued income	120	168
Other	50,202	36,108
	77,746	53,004

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

NOTE 24 – OTHER RECEIVABLES (TSEK)

Other receivables comprises:	31 December 2008	31 December 2007
Underlift	32,236	35,065
Joint venture debtors	208,416	117,312
VAT receivable	43,875	27,184
Other receivables	11,602	104,184
	296,129	283,745

Joint venture debtors relate only to unincorporated joint ventures.

NOTE 25 – 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 2007	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
Currency translation difference	8,348	-30,323	1,508,724	1,486,749
Change in fair value	-20,917	-225,822	–	-246,739
Income and expenses recognised directly in equity	-12,569	-256,145	1,508,724	1,240,010
Transfer to income statement	–	–	–	–
Balance at 31 Dec 2008	**55,103**	**-256,145**	**717,562**	**516,520**

NOTE 26 – SITE RESTORATION (TSEK)

	2008	2007
1 January	700,763	624,675
Acquired on acquisition	–	10,017
Unwinding of discount (Note 9)	31,263	35,387
Payments	-1,410	623
Changes in estimates	46,512	40,373
Disinvestments	-64,973	–
Currency translation difference	-11,949	-10,312
31 December	**700,206**	700,763

NOTE 27 – 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 totaling an annual amount of TCHF 206 (TSEK 1,236) and thereafter of monthly payments totaling an annual amount of TCHF 138 (TSEK 833) 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 13,176).

Pension provision	2008	2007
1 January	9,478	10,127
Fair value adjustment	-815	–
Instalments paid	-833	-777
Currency translation difference	2,310	128
31 December	**10,140**	9,478

NOTE 28 – OTHER PROVISIONS (TSEK)

Other provisions comprises:	Termination indemnity provision	Other	Total
1 January 2008	9,192	14,161	23,353
Additions	13,933	10,808	24,741
Payments	-724	–	-724
Reclassification	–	-140	-140
Currency translation difference	4,586	3,730	8,316
31 December 2008	**26,987**	**28,559**	**55,546**

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

NOTE 29 – BANK LOANS (TSEK)

Bank loans comprises:	31 December 2008	31 December 2007
Current		
Repayment within 6 months	26,947	22,127
Repayment between 6–12 months	26,946	22,127
Long term		
Repayment within 2–5 years	4,339,769	2,740,168
Repayment after five years	–	–
	4,393,662	2,784,422

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

continued – NOTE 29

driven by the loan reduction schedule. The interest rate on the Group's 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 2008 has been estimated to book value as the loans 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 30 – FINANCE LEASE (TSEK)

There are no finance leases within the Group.

NOTE 31 – OPERATING LEASE (TSEK)

Operating lease payments excluding rents in the income statement amounts to MSEK 15.6 (MSEK 27.8) and relates to the sale and leaseback transaction of a vessel employed on the Jotun field offshore Norway. On 31 July 2008 the sale of the Jotun field was completed due to which no operating lease payments are outstanding as at 31 December 2008.

Lease payments during 2008 and forward:	31 December 2008	31 December 2007
Under 1 year	–	26,291
2–5 year	–	39,220
Total	**–**	65,511

NOTE 32 – ACCRUED EXPENSES AND PREPAID INCOME (TSEK)

Accrued expenses and prepaid income comprises:	31 December 2008	31 December 2007
Holiday pay	11,180	7,847
Operating costs	39,163	18,117
Social security charges	8,409	13,920
Salaries and wages	2,652	3,410
Other	41,433	45,290
	102,837	88,584

NOTE 33 – OTHER LIABILITIES (TSEK)

Other liabilities comprises:	31 December 2008	31 December 2007
Overlift	106,844	151,293
Acquisition liabilities	44,708	38,833
Joint venture creditors	954,544	898,340
VAT payable	13,893	10,812
Social charges payable	4,873	3,309
Other liabilities	40,558	18,697
	1,165,420	1,121,284

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 34 – PLEDGED ASSETS

On 26 October 2007 the Group entered into a new credit facility under which an amount of MUSD 554.0 was outstanding as at 31 December 2008. 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 4,605,804 as at 31 December 2008, represents the net asset book values of the pledged companies.

NOTE 35 – 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 amount has been assigned for this contingent liability.

NOTE 36– EARNINGS PER SHARE

Earnings per share is calculated by dividing the net result attributable to shareholders of the Parent Company by the weighted average number of shares for the year.

	2008	2007
Net result attributable to shareholders of the Parent Company (in SEK)	560,011,000	956,953,000
Weighted average number of shares for the year	315,682,981	315,020,401
Earnings per share (in SEK)	**1.77**	3.04

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 net result attributable to shareholders of the Parent Company by the diluted weighted shares.

	2008	2007
Net result attributable to shareholders of the Parent Company (in SEK)	560,011,000	956,953,000
Weighted average number of shares for the year	315,682,981	315,020,401
Dilution effect of outstanding warrants	–	389,514
Weighted average number of shares for the year after considering the dilution effect of outstanding warrants.	315,682,981	315,409,915
Earnings per share (diluted) (in SEK)	**1.77**	3.03

NOTE 37 – ADJUSTMENT TO CASH FLOW FROM OPERATIONS (TSEK)

	Note	2008	2007
Other provisions		13,718	-113
Impairment of oil and gas properties	5	613,693	–
Exploration costs	4	901,683	369,603
Depletion, depreciation and amortisation		1,056,980	1,012,770
Amortisation of deferred financing fees	9	11,415	7,654
Interest income in Income Statement		-55,988	-37,339
Current tax in Income Statement		-77,107	91,323
Interest expense in Income Statement		107,774	86,103
Other non-cash items	38	711,044	825,713
Unrealised exchange gains		871,052	-160,467
Gain on sale of assets		-333,591	–
Adjustment to cash flow from operations		**3,820,673**	2,195,247

NOTE 38 – CASH FLOW ANALYSIS – OTHER NON CASH ITEMS (TSEK)

	2008	2007
Deferred tax	707,944	766,714
Site restoration discount	31,263	35,387
Share based payments	27,271	23,138
Result from associated company	-6,031	–
Financial income from associated company	-46,558	–
Other non-cash items	-2,845	474
	711,044	825,713

NOTE 39 – RELATED PARTY TRANSACTIONS

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

The Group paid TSEK 170 (TSEK 320) to Namdo Management Services Ltd., a private corporation owned by Lukas H. Lundin, a director of the Company, pursuant to a services agreement. Namdo has approximately 12 employees and provides administration and financial services to a number of public companies. Accordingly, there is no basis for allocating the amounts paid to Namdo to Mr Lukas H. Lundin directly. The service agreement was terminated during 2008. There was no outstanding payable amount at balance date.

The Group received TSEK 198 (TSEK 87) from Vostok Nafta Investment Ltd and related companies, for the provision of office and accounting services. Vostok Nafta is considered a related party because the major shareholder is Lorito Holdings Ltd which also is the major shareholder in Lundin Petroleum. There was no outstanding receivable at balance date.

NOTE 40 – AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS (TSEK)

	2008		2007	
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	37	26	25	18
France	54	44	54	42
Norway	42	28	27	19
Netherlands	7	3	6	3
Indonesia	18	13	17	10
Russia	281	223	307	242
Tunisia	8	5	11	8
Singapore	7	6	4	3
Malaysia	6	4	–	–
Ethiopia	11	7	–	–
Kenya	5	3	–	–
United Arab Emirates	2	1	–	–
Switzerland	46	33	44	31
Total subsidiary companies	**524**	**396**	495	376
Total Group	**524**	**396**	495	376

For the Group, a total of 21 persons held senior management and board positions (2007-2005: 20, 2004: 19, 2003: 15 persons). One woman is included in these positions in 2008 (2007-2005: two, 2004-2003: one).

	2008		2007	
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	4,213	720	5,234	877
Total parent company	**4,213**	**720**	5,234	877
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
United Kingdom	37,170	7,533	33,578	6,186
France	26,351	13,072	22,518	11,855
Norway	60,764	10,421	38,839	10,089
Netherlands	4,746	964	4,477	819
Indonesia	6,121	857	4,885	3,063
Russia	50,272	4,722	60,824	7,268
Tunisia	4,257	425	5,002	600
Singapore	10,672	987	4,793	500
Malaysia	4,695	–	–	–
Ethiopia	1,923	–	–	–
Kenya	2,066	–	–	–
United Arab Emirates	1,161	–	–	–
Switzerland	68,494	10,770	53,078	11,616
Total subsidiary companies	**278,692**	**49,751**	227,994	51,996
Total Group	**282,905**	**50,471**	233,228	52,873
of which defined contribution plan cost		16,994		18,847
of which defined benefit plan cost		833		777

	2008		2007	
Salaries, other remuneration per country split between the Board of Directors/ MD and other employees	Board of Directors and MD	Other employees	Board of Directors and MD	Other employees
Parent company				
Sweden	4,213	–	5,234	–
Total parent company	**4,213**	**–**	5,234	–
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
United Kingdom	13,471	23,699	4,717	28,861
France	–	26,351	–	22,518
Norway	5,407	55,357	7,462	31,377
Netherlands	1,675	3,071	1,494	2,983
Indonesia	2,590	3,531	1,805	3,080
Russia	17,681	32,591	5,453	55,371
Tunisia	1,981	2,276	3,012	1,990
Singapore	2,989	7,684	2,201	2,592
Malaysia	1,072	3,623	–	–
Ethiopia	1,635	288	–	–
Kenya	902	1,164	–	–
United Arab Emirates	–	1,160	–	–
Switzerland	6,751	61,743	4,327	48,751
Total subsidiary companies	**56,154**	**222,538**	30,471	197,523
Total Group	**60,367**	**222,538**	35,705	197,523

NOTE 41 – REMUNERATION TO BOARD OF DIRECTORS AND MANAGEMENT

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 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.

The Company's Policy on Remuneration for senior executives, approved by the 2008 AGM, is described here below. The term 'executive' refers to the President and CEO (CEO) and other members of Group Management, including the Executive Vice President and COO, and other executive officers at Vice President level.

The Policy on Remuneration complies with the principles of compensation previously awarded to Group Management and is based on individual agreements concluded between the Company and each executive.

Compensation Committee

The Compensation Committee is to receive information on and determine matters regarding the compensation of Group Management. The Committee meets regularly and is responsible for reviewing the Policy on Remuneration and the compensation of executives, and for making recommendations thereon to the Board of Directors. The Committee has access to external advisors to ensure that salary and benefit packages are competitive and appropriate.

The proposed compensation level, criteria for variable salary and other employment terms for the CEO are submitted by the Compensation Committee to the Board for approval. For other executives, the CEO is responsible for proposing appropriate terms of compensation for approval to the Compensation Committee and for reporting to the Board.

Elements of Remuneration

There are five key elements to the remuneration package of senior executives of the Group:
a) basic salary;
b) yearly variable salary;
c) long-term incentive plan;
d) pension arrangements; and
e) non-financial benefits.

Basic Salary

The basic salary shall be based on market conditions, be competitive and shall take into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the executive. The basic salary shall be reviewed annually to ensure that it remains competitive. In order to assess the competitiveness of the salary and benefit packages offered by the Group, comparisons may be made to those offered by similar companies. In such circumstances, the comparator group is chosen with regard to:

a) companies in the same industry;
b) the size of the company (turnover, profits and employee numbers);
c) the diversity and complexity of their businesses;
d) the geographical spread of their businesses; and
e) their growth, expansion and change profile.

Periodic benchmarking within the oil and gas sector shall also be undertaken to ensure that compensation packages remain in line with current market conditions.

Yearly Variable Salary

The Company considers that a yearly 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 CEO will make a recommendation to the Compensation Committee regarding the payment of the yearly variable salary to employees based upon their individual contribution to the Company's performance. This includes 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. After consideration of the CEO's recommendations, the Compensation Committee will recommend to the Board of Directors for approval the level of the yearly variable salary of the CEO, and of all other executives and employees, to the extent that such award is in excess of US$10,000 per employee. The yearly variable salary shall normally be within the range of 1 – 10 monthly salaries.

Long-term Incentive Plan 2008

The Company operates a Long-term Incentive Plan (LTIP), in which the Management, including the CEO, and other employees are entitled to participate. The LTIP has previously included share and option based plans where, among other features, certain performance conditions were attached to the vesting of the options or shares. For further information regarding these plans, please see Note 42.

A revised LTIP was presented to and approved by the 2008 AGM and it includes the granting of units that are converted into a cash award related to the Company's share price. The LTIP will be payable over a period of three years from award in order to aid in the retention of staff. The LTIP is designed to align management incentives with shareholder interests.

The LTIP consists of an annual grant of units that will be converted into a cash payment at vesting. The cash payment will be determined at the end of each vesting period by multiplying the number of units by the share price. The LTIP has a three year duration whereby the initial grant of units vests equally in three tranches: one third after one year; one third after two years; and the final third after three years. The cash payment is conditional upon the holder of the units remaining an employee of the Lundin Petroleum Group at the time of payment. The units may not be assigned to any third party.

The Compensation Committee recommends to the Board of Directors a total number of units to be allocated each year for the following three years, together with a recommendation for the individual allocations. The respective individual allocations shall be based on both the position within the Company and 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. The total number of units granted in 2008 was approximately 700,000 for the whole Group, out of which Group Management received an allocation of 178,500.

Lundin Petroleum's Board of Directors received an authorization by the 2008 AGM to repurchase shares on the OMX Nordic Exchange. The purpose of the share repurchases was, inter alia, to fix the undertaking under the LTIP. The repurchased shares could be sold in the market in conjunction with the payments under the LTIP, meaning that the actual cash payment by Lundin Petroleum under the LTIP would correspond to the total price paid for the repurchased shares. An increase of the undertaking under the LTIP due to a rise of the stock price would thus be secured by the corresponding increase of the value of the repurchased shares.

Pension Arrangements

The pension benefits comprise a defined contribution scheme with premiums calculated on the full basic salary. The pension contributions in relation to the basic salary are dependent upon the age of the executive.

Non-Financial Benefits

Non-financial benefits shall be based on market terms and shall facilitate the discharge of each executive's duties.

Severance Arrangements

A mutual termination period of between one month and six months applies between the Company and senior executives, depending on the duration of the employment with the Company. In addition, severance terms are incorporated into the employment contracts for senior executives that give rise to compensation in the event of termination of employment due to a change of control of the Company.

The Compensation Committee shall approve termination packages that exceed USD 150,000 in value per individual.

Authorisation for the Board of Directors

The Board of Directors is, following the decision of the 2008 AGM, authorised to deviate from the Policy on Remuneration in accordance with Chapter 8, section 53 of the Swedish Companies Act in case of special circumstances in a specific case. No such deviations were made in 2008.

Please see page 48 for further information on the Board of Directors' proposal regarding the remuneration policy for 2009.

Salaries and other remuneration to non-executive directors (TSEK)	Fees	Other[1]	Total 2008	Total 2007
Ian H. Lundin	779	1,440	2,219	2,859
Magnus Unger	600	102	702	600
Kai Hietarinta	–	–	–	525
Lukas H. Lundin	400	–	400	425
William A. Rand	600	–	600	600
Asbjørn Larsen	292	–	292	–
Viveca Ax:son- Johnson	–	–	–	225
Total	**2,671**	**1,542**	**4,213**	5,234

[1] Other remuneration paid during 2008 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 2008 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 2008	Total 2007	Pensions 2008[2]	Pensions 2007
C. Ashley Heppenstall	4,242	2,510	547	7,299	5,286	389	332
Alexandre Schneiter	2,909	1,336	250	4,494	3,492	252	223
Chris Bruijnzeels	2,036	1,151	89	3,276	3,316	165	158
Other management[3]	7,468	3,118	343	10,929	8,441	561	430
Total	**16,655**	**8,115**	**1,229**	**25,998**	20,535	**1,367**	1,143

[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 2008 is also an amount of TSEK 6,733 relating to bonuses awarded in January 2008 relating to 2007. In December 2008 the Compensation Committee awarded a bonus for 2008 of one month's salary to the CEO and to the Vice Presidents. In January 2009 the Compensation Committee met and reassessed the bonus payments made for 2008 considering the employees' contributions to the results of the Company and the achievement of personal targets. The committee awarded C. Ashley Heppenstall an additional bonus of TSEK 1,060 equal to three months salary and awarded bonuses to Alexandre Schneiter and Chris Bruijnzeels of TSEK 727 and TSEK 509 respectively and the other four Vice Presidents a total of TSEK 1,177 equal to between one and three months salary. The additional bonus is not included in the table above.

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, Chief Financial Officer and Senior Vice President Operations 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 2008	
Executive Management	2006 Programme	2007 Programme	2006 Programme	2007 Programme
C. Ashley Heppenstall	400,000	200,000	400,000	200,000
Alexandre Schneiter	350,000	175,000	350,000	175,000
Chris Bruijnzeels	60,000	50,000	60,000	50,000
Other management	225,000	125,000	225,000	112,500
Total	**1,035,000**	**550,000**	**1,035,000**	**537,500**

For incentive warrants, see also Note 42.

NOTE 42 – 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.

In 2006 incentive warrants 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 issued for a period of three years and are not exercisable during the first year of issue.

In addition to these incentive warrants, 642,500 incentive warrants were acquired through the Valkyries acquisition 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. The converted acquired incentive warrants and the incentive warrants issued after the date of acquisition amounted to 275,000 and have an exercise price of SEK 97.40 with an exercise period up to 31 May 2009.

At the AGM held on 16 May 2007, the shareholders of Lundin Petroleum approved the implementation of a Long-Term Incentive Plan (LTIP) 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% of the options depending upon the Company's performance measured using a relative TSR. The period for the performance condition expired on 30 November 2008 at which time 50% of the options awarded were issued as incentive warrants.

continued – NOTE 42

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% of the award of shares depending upon the Company's 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:

	2008		2007	
	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	80.64	9,300,000	76.09	7,568,500
Granted	–	–	78.05	3,525,000
Not vested	78.05	-1,675,750	–	–
Exercised	60.20	-2,360,000	45.83	-1,335,500
Lapsed	87.23	-342,500	83.92	-458,000
At 31 December	**90.87**	**4,921,750**	80.64	9,300,000

The weighted average share price relating to the incentive warrants exercised during 2008 amounted to SEK 88.22 per share. As at 31 December 2008 4,921,750 options were exercisable.

The related total expense accounted for during the period amounted to TSEK 17,049. See also The Lundin Petroleum Share and Shareholders, page 32–34, for details on exercise price and vesting period.

At the AGM on 13 May 2008, the shareholders of Lundin Petroleum approved the implementation of a Long-term Incentive Plan (LTIP) which consists of an annual grant of units that will be converted into a cash payment at vesting. The cash payment will be determined at the end of each vesting period by multiplying the number of units by the share price. The LTIP has a three year duration whereby the initial grant of units vests equally in three tranches: one third after one year; one third after two years; and the final third after three years. The cash payment is conditional upon the holder of the units remaining an employee of the Lundin Petroleum Group at the time of payment. The total costs related to the LTIP amounted to TSEK 10,329 for the financial year ended 31 December 2008.

NOTE 43 – ACQUIRED SUBSIDIARY

ACQUIRED SUBSIDIARY 2007

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.

NOTE 44 – SUBSEQUENT EVENTS

On 5 February 2009, Lundin Petroleum announced the signing of an agreement for the sale of its wholly owned subsidiaries, Lundin East Africa BV and Lundin Kenya BV to Africa Oil Corporation subject to various approvals. Lundin East Africa BV holds operated interests in Blocks 2, 6, 7 and 8 in the Ogaden Basin in southern Ethiopia and the Adigala Area in northern Ethiopia and Lundin Kenya BV owns an operated interest in Block 10A and a non-operated interest in Block 9 in Kenya.

On 25 February 2009, Lundin Petroleum announced that it had received from Rosnedra, the Russian subsoil licensing agency, a five year extension to its existing Lagansky exploration licence (WI 70%). The Lagansky exploration licence is now valid until August 2014.

On 3 April 2009, Lundin Petroleum announced that it had entered into an agreement to sell a 30 percent interest in PL359 and PL410 and a 10 percent interest in PL409, offshore Norway, to StatoilHydro, subject to Norwegian government approval. StatoilHydro agreed to pay a disproportionate share of certain costs related to these production licenses. In addition, Lundin Petroleum and StatoilHydro agreed to an exchange of certain drilling rig rights and obligations.

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 62.8 (MSEK 34.7) for the financial year ended 31 December 2008.

The profit included general and administrative expenses of MSEK 25.6 (MSEK 39.8) for the year ended 31 December 2008. Interest income derived from loans to subsidiary companies amounted to MSEK 8.7 (MSEK 20.7). Included in financial income is an amount of MSEK 113.3 relating to the Parent Company's portion of the gain on the sale of an investment in Revus Energy ASA. Financial expenses amounted to MSEK 22.7 (MSEK -) and mainly related to a provision for bad debt.

The Parent Company acquired 797,000 of its own shares in June 2008 at an average price of SEK 90.63 per share to fully hedge its potential cash obligation under its employee Long-term Incentive Plan (LTIP) for awards made in 2008. The parent company further acquired 3,625,300 of its own shares during the second half of 2008 at an average price of SEK 44.65. Both transactions were recorded as a reduction in equity. At 31 December 2008, Lundin Petroleum held 4,490,300 of its own shares.

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 RFR 1.2 issued by the Swedish Financial Reporting Board and the Annual Accounts Act (1995: 1554). RFR 1.2 requires the Parent Company to use similar accounting principles as for the Group, i.e. IFRS to the extent allowed by RFR 1.2. The Parent Company's accounting principles do not in any material respect deviate from the Group principles, see page 54–60.

PARENT COMPANY INCOME STATEMENT

PARENT COMPANY INCOME STATEMENT AT 31 DECEMBER

Expressed in TSEK	Note	2008	2007
Operating income			
Other operating income	1	21,406	22,389
Gross profit		**21,406**	**22,389**
General, administration and depreciation expenses	2	-25,638	-39,769
Operating profit		**-4,232**	**-17,380**
Result from financial investments			
Financial income	3	126,276	52,047
Financial expenses	4	-22,863	–
		103,413	**52,047**
Profit before tax		**99,181**	**34,667**
Corporation tax	5	-36,403	–
Net result		**62,778**	**34,667**

CONSOLIDATED ACCOUNTS
PARENT COMPANY ACCOUNTS

PARENT COMPANY BALANCE SHEET

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

Expressed in TSEK	Note	2008	2007
ASSETS			
Non current assets			
Shares in subsidiaries	6	7,739,716	**7,722,667**
Receivables from Group companies	7	160,806	**138,432**
Total non current assets		**7,900,522**	7,861,099
Current assets			
Prepaid expenses and accrued income		495	**557**
Other receivables	8	9,433	**11,889**
Cash and cash equivalents		1,184	**8,861**
Total current assets		**11,112**	21,307
TOTAL ASSETS		**7,911,634**	7,882,406
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		3,179	3,155
Statutory reserve		861,306	861,306
Total restricted equity		**864,485**	864,461
Unrestricted equity			
Other reserves		5,089,856	5,157,307
Retained earnings		1,855,683	1,821,289
Net profit		62,778	34,667
Total unrestricted equity		**7,008,317**	7,013,263
Total equity		**7,872,802**	7,877,724
Non-current liabilities			
Other provisions	9	36,403	–
Total non-current liabilities		**36,403**	–
Current liabilities			
Trade payables		233	1,934
Accrued expenses and prepaid income	10	1,873	2,457
Other liabilities		323	291
Total current liabilities		**2,429**	4,682
TOTAL EQUITY AND LIABILITIES		**7,911,634**	7,882,406
Pledged assets	12	4,605,804	3,446,804
Contingent liabilities	12	183,549	150,720

PARENT COMPANY STATEMENT OF CASH FLOW

PARENT COMPANY STATEMENT OF CASH FLOW AT 31 DECEMBER

Expressed in TSEK	2008	2007
Cash flow used for operations		
Net result	62,778	34,667
Adjustments for		
Tax per income statement	36,403	–
Other non-cash items	-76,925	-987
Interest income received	-257	-302
Interest expenses paid	112	12
Unrealised exchange gains	-3,944	-31,021
Changes in working capital		
Decrease/increase in current assets	2,775	-838
Decrease/increase in current liabilities	-38,765	-5,793
Total cash flow used for operations	**-17,823**	-4,262
Cash flow from/used for investments		
Long term receivables granted	-833,831	-171,110
Repayments received on long-term receivables	820,018	118,868
Investment in other shares and participations	-172,907	–
Proceeds from sale of other shares and participations	286,235	–
Total cash flow from/used for investments	**99,515**	-52,242
Cash flow used for/from financing		
Purchase of own shares	-234,103	-4,395
Proceeds from share issues	142,072	61,207
Total cash flow used for/from financing	**-92,031**	56,812
Change in cash and bank	-10,339	308
Cash and bank at the beginning of the year	8,861	8,962
Currency exchange difference in cash and bank	2,662	-409
Cash and bank at the end of the year	**1,184**	8,861

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 2007	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**
Transfer of prior year net result	–	–	–	34,667	-34,667	–
New share issuance	24	–	142,048	–	–	142,072
Purchase of own shares	–	–	-234,103	-	–	-234,103
Transfer of share based payments	–	–	17,322	-17,322	–	–
Share based payments	–	–	–	17,049	–	17,049
Currency translation difference	–	–	7,282	–	–	7,282
Net result	–	–	–	–	62,778	62,778
Balance at 31 December 2008	**3,179**	**861,306**	**5,089,856**	**1,855,683**	**62,778**	**7,872,802**

[1] Lundin Petroleum AB's issued share capital at 31 December 2008 amounted to SEK 3,179,106 represented by 317,910,580 shares with a quota value of SEK 0.01 each. Included in the number of shares issued at 31 December 2008 are 4,490,300 shares which Lundin Petroleum holds in its own name.

[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. During the financial year 2006, an additional 1 million Lundin Petroleum shares was 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)

	2008	2007
United Kingdom	13,360	12,727
Tunisia	4,403	7,820
Ethiopia	1,498	–
Malaysia	1,299	–
Kenya	747	–
Indonesia	95	1,994
Ireland	4	-143
Nigeria	–	-9
	21,406	22,389

NOTE 2 – REMUNERATION TO THE AUDITORS (TSEK)

The auditors of the parent company are PricewaterhouseCoopers.

Remuneration to the Group's auditors	2008	2007
Audit fees	1,407	887
Other	241	321
	1,648	1,208

NOTE 3 – FINANCIAL INCOME (TSEK)

Financial income comprise:	2008	2007
Interest income	9,006	21,026
Gain on sale of investment	113,328	–
Foreign exchange gain, net	3,942	31,021
	126,276	52,047

Included in the interest income for the Parent Company is an amount of TSEK 8,749 (TSEK 20,729) received from Group companies.

The result on the sale in investment relates to the gain on the sale of an investment in Revus Energy ASA.

NOTE 4 – FINANCIAL EXPENSES (TSEK)

Financial expenses for the year ended 31 December 2008 amounted to TSEK 22,863 (TSEK -) and primarily related to a provision for bad debt in relation to a loan provided to a subsidiary for an amount of TSEK 22,717 (TSEK -).

NOTE 5 – TAXES (TSEK)

	2008	2007
Profit before tax	99,181	34,667
Tax calculated at the corporate tax rate in Sweden (28%)	-27,771	-9,706
Tax effect of expenses non-deductible for tax purposes	-8,632	-1,137
Tax effect of utilisation of unrecorded tax losses	–	10,843
	-36,403	–

NOTE 6 – SHARES IN SUBSIDIARIES (TSEK)

Note 6 appears on the following page (page 80).

NOTE 7 – RECEIVABLES FROM GROUP COMPANY (TSEK)

Receivables from Group company:	31 December 2008	31 December 2007
Receivables from Group company	160,806	138,432
	160,806	138,432

Long term receivables due from subsidiaries amounting to TSEK 160,806 (TSEK 138,432) 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 2008	31 December 2007
Due from Group companies	9,326	11,001
VAT receivable	107	888
	9,433	11,889

NOTE 9 – OTHER PROVISIONS (TSEK)

Other provisions as at 31 December 2008 amounted to TSEK 36,403 (TSEK -) and related to corporate income tax.

NOTE 10 – ACCRUED EXPENSES AND PREPAID INCOME (TSEK)

Accrued expenses and prepaid income comprises:	31 December 2008	31 December 2007
Social security charges	342	266
Other	1,531	2,191
	1,873	2,457

NOTE 11 – FINANCIAL INSTRUMENTS BY CATEGORY

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

Expressed in TSEK	Loan receivables and other receivables	Financial liabilities valued at amortised cost
Assets		
Receivables from Group companies	170,132	
Cash and cash equivalents	1,184	
Liabilities		
Trade Payables		233
	171,316	**233**

NOTE 12 – PLEDGED ASSETS AND CONTINGENT LIABILITIES

Please see Group Note 34 and 35 for details.

NOTE 6 – SHARES IN SUBSIDIARIES (TSEK)

	Registration number	Registered office	Number of shares	Percentage	Nominal value per share	Book amount 31 December 2008	Book amount 31 December 2007
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	7,739,031	7,721,982
						7,739,716	7,722,667
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 Malaysia 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 Ventures XIII BV	BV 1509030	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Ventures XIV BV	BV 1509028	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Ventures XV BV	BV 1509027	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		
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 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 Rangkas BV	BV 1479636	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Cakalang BV	BV 1479547	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Baronang BV	BV 1479551	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		
- Mintley Caspian Ltd	160901	Limassol, Cyprus	5000	70	CYP1.00		
- LLC PetroResurs	1047796031733	Moscow Reg., Russia	1	100	RUR 10,000		
- LundinNeft LLC	1057747770002	Moscow, Russia	1	100	USD 100,000		
- Valkyries Cyprus Ltd	148699	Nicosia, Cyprus	3736	100	CYP 1.00		
- Valkalm Holding Ltd	162301	Nicosia, Cyprus	1000	100	CYP 1.00		
- Valkalm 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		
- Ulan Khol 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		

Viking Oil & Gas ASA, Valkalm III Holding Ltd and Lundin UK Exploration Ltd. were liquidated during 2008. Lundin (Heather Oilfield) Ltd. was undergoing liquidation as at 31 December 2008. During 2008 Lundin Latina de Petróleos SA was sold.

BOARD ASSURANCE

At 8 April 2009, the Board of Directors and the President of Lundin Petroleum AB have adopted this annual report for the financial year ended 31 December 2008.

BOARD ASSURANCE

The Board of Directors and the President & CEO certify that the annual financial report for the Parent Company has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated accounts have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the financial position and profit of the Company and the Group and provides a fair review of the performance of the Group's and Parent Company's business, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, 8 April 2009

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

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

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 2008. The company's annual accounts and the consolidated accounts are included in the printed version on pages 32–34 and 38–81. 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, 8 April 2009

Klas Brand
Authorised Public Accountant
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorised Public Accountant
PricewaterhouseCoopers AB

RESERVE QUANTITY INFORMATION

SUPPLEMENTAL INFORMATION (UNAUDITED)

Proved and probable oil reserves	Total Mbbl	UK Mbbl	France Mbbl	Netherlands Mbbl	Tunisia Mbbl	Norway Mbbl	Indonesia Mbbl	Russia Mbbl
1 January 2007	173,521	49,316	22,648	–	3,788	39,414	11,567	46,788
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
31 December 2007	169,828	50,077	25,779	–	1,921	44,128	10,432	37,491
2008								
Changes during the year								
- acquisitions	–	–	–	–	–	–	–	–
- sales	-860	–	–	–	–	-860	–	–
- revisions	19,924	30,677	2,053	100	-973	1,829	-40	-13,722
- extensions and discoveries	11,048	–	–	–	–	11,048	–	–
- production	-10,884	-3,706	-1,394	-6	-586	-2,257	-844	-2,091
31 December 2008	189,056	77,048	26,438	94	362	53,888	9,548	21,678

Proved and probable gas reserves	Total MMscf[1]	UK MMscf	Netherlands MMscf	Norway MMscf	Indonesia MMscf
1 January 2007	115,287	–	32,454	46,950	35,883
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
31 December 2007	162,548	22,427	28,877	77,423	33,821
2008					
Changes during the year					
- acquisitions	–	–	–	–	–
- sales	-226	–	–	-226	–
- revisions	31,891	8,183	586	23,146	-24
- extensions and discoveries	963	–	963	–	–
- production	-5,747	–	-5,000	-693	-54
31 December 2008	189,429	30,610	25,426	99,650	33,743

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

From the Russian reserves, of 21,678 Mbbl, 3,092 Mbbl are attributed to minority and 18,586 Mbbl are attributed to Lundin Petroleum. Of the total proved and probable oil and gas reserves at 31 December 2008, an additional 50 Mbbl are attributable to minority shareholders of other subsidiaries of the Group.

The reserves as at 31 December 2008 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 2009 Three month report (January – March 2009)
- 13 May 2009 AGM 2009
- 12 August 2009 Six month report (January – June 2009)
- 11 November 2009 Nine month report (January – September 2009)
- February 2010 Year End report 2009

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 Wednesday, 13 May 2009 at 13.00 (Swedish time). Location: Biografen Skandia, Drottninggatan 82 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 Thursday the 7 May 2009; and
- notify Lundin Petroleum of their intention to attend the meeting no later than Friday the 8 May 2009.

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.ch

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 the 7 May 2009.

DEFINITIONS

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

Abbreviations

CHF	Swiss franc
EUR	Euro
GBP	British pound
NOK	Norwegian krona
RUR	Russian rouble
SEK	Swedish krona
USD	US dollar
TCHF	Thousand CHF
TSEK	Thousand SEK
TUSD	Thousand USD
MSEK	Million SEK
MUSD	Million USD

Oil related terms and measurements

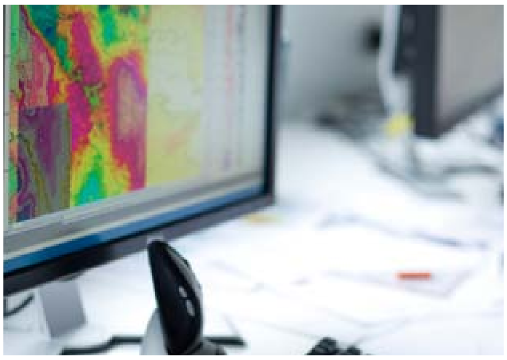
bbl	Barrel (1 barrel = 159 litres)
bcf	Billion cubic feet (1 cubic foot = 0.028 m3)
boe	Barrels of oil equivalents
boepd	Barrels of oil equivalents per day
bopd	Barrels of oil per day
Mbbl	Thousand barrels (in Latin mille)
Mbo	Thousand barrels of oil
Mboe	Thousand barrels of oil equivalents
Mboepd	Thousand 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

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 percent probability that the quantities actually recovered will equal or exceed the estimates.

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 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.



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