Lundin Petroleum

Value driven transformation

Annual Report 2015

Contents

2015 Overview

Edvard Grieg onstream

Lundin Petroleum started production from three new fields in 2015. Bøyla and Bertam came onstream in the first half of the year and Edvard Grieg started production in November. As a result of this transformation, production is set to double in 2016.

» Edvard Grieg pages 24, 29
» Bøyla page 27
» Bertam page 31

Our vision is to provide society with energy that is developed in a responsible and efficient way

Throughout Lundin Petroleum's worldwide operations, responsible business conduct aims to create social, environmental as well as economic value for all stakeholders.

» Managing risk page 34
» Responsible transformation page 38
» Corporate governance page 50

Johan Sverdrup development approved

Following PDO approval, net reserves of 513 MMboe were booked by Lundin Petroleum in 2015. The development of Phase 1 has started and production is scheduled to come onstream in late 2019.

» Sustainable growth page 10
» Johan Sverdrup page 25

Alex Schneiter appointed new CEO

It is a great privilege and I am very proud to take on the position as President and CEO of Lundin Petroleum, a company with unique assets, an outstanding team of people, an exciting future growth profile and which has become the leading independent upstream oil company in Europe.

» CEO Review page 6

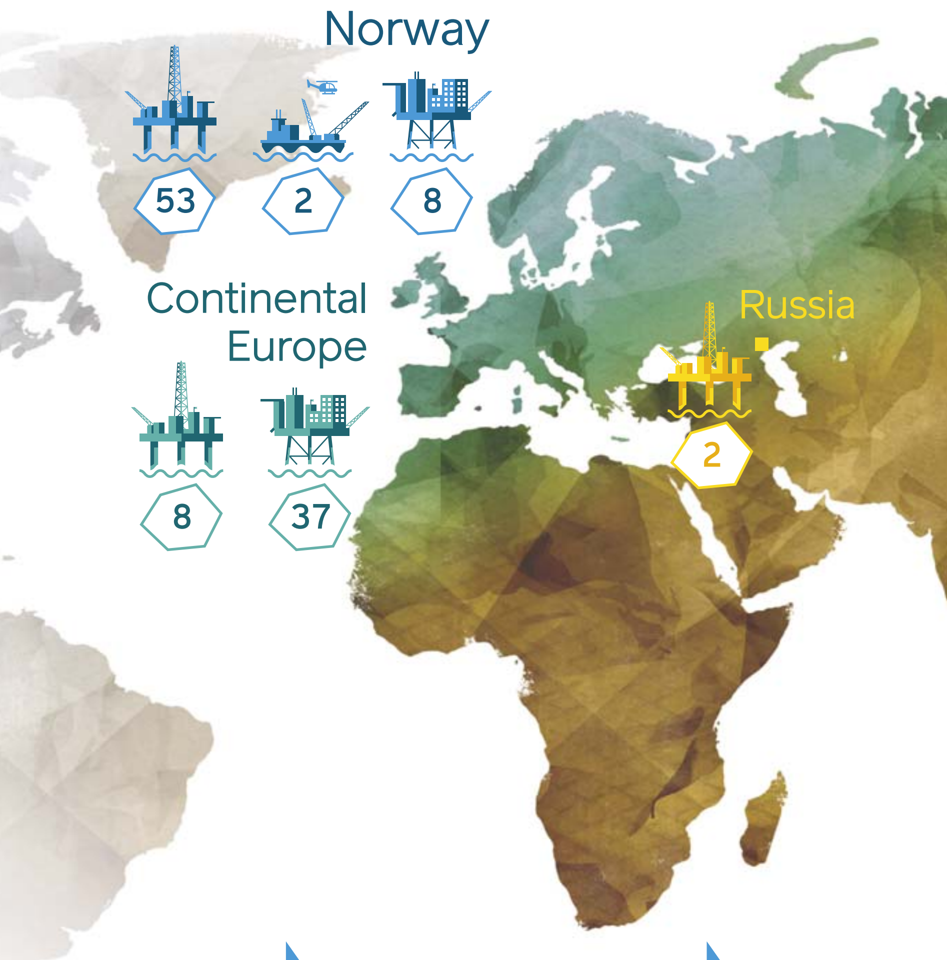
2015 Performance

- Zero fatalities, zero serious incidents, zero harm to the environment — pages 4, 39, 129
- Edvard Grieg, Bøyla and Bertam fields on production — pages 24, 27, 29, 31
- Two discoveries on the Utsira High — pages 24, 77
- Two successful appraisal wells on Alta discovery — page 26, 76
- Significant reserves increase to 685 MMboe — page 19
- NOK 4.5 billion exploration refund facility signed — pages 72, 111

Value driven transformation

Lundin Petroleum has exploration and production assets focused upon two core areas, Norway and Malaysia, as well as assets in France, the Netherlands and Russia.

Lundin Petroleum seeks to generate sustainable long-term value in all stages of the upstream oil and gas value chain. Lundin Petroleum has developed the capacity and competence to take exploration success through to the production phase. This is clearly demonstrated with the delivery of the Edvard Grieg project, which was completed safely, on schedule and budget.



Exploration

Lundin Petroleum focuses on building core exploration areas in specific countries and assembles integrated teams of geoscientists and technical experts that have a creative and visionary approach to oil and gas exploration. This has proven very successful and in 2015, Lundin Petroleum drilled 14 exploration wells, resulting in exploration success on the Utsira High with the Luno II North and Rolvsnes discoveries.

Development

Following exploration and appraisal, the strategy is to convert discoveries into reserves and production. After a development plan has been approved, construction of facilities can start, to which wells and infrastructure are connected so that production can begin. In 2015, Lundin Petroleum constructed oil and gas production facilities in Norway and Malaysia, of which completion of the Edvard Grieg platform in the Norwegian North Sea marks a major milestone for the Company.

Production

The production phase is defined as everything from extraction and processing to delivering the oil or gas for sale. Lundin Petroleum significantly increased its production in 2015 due to three new fields coming on stream. This marks the beginning of a transformational increase of Lundin Petroleum's production levels going forward.

Reinvestment

The cash flow generated from production is reinvested in the exploration and development phases to generate long-term sustainable value.

Exploration licences

Development licences

Production licences

As at 31 December 2015

Lundin Petroleum's business model is to generate sustainable value throughout the value chain

Our vision is to grow a profitable upstream exploration and production company, focused on core areas in a safe and environmentally responsible manner for the long-term benefit of our shareholders and society.

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 in core areas.
- Growing its existing asset base with a proactive subsurface strategy to enhance ultimate hydrocarbon recovery.
- Acquiring new hydrocarbon reserves, resources and exploration acreage where opportunities exist to enhance value.

Lundin Petroleum is responsible towards:

- shareholders, to realise and sustain a good return on investment and a continuing growth of its asset base.
- employees, to provide a safe and rewarding working environment.
- host countries, owners of the resources, to find and produce oil and gas professionally, efficiently and responsibly.
- local communities, to contribute to local development and higher living standards.
- society, to contribute to wealth generation while minimising the impact of our activities on the environment.

Looking back 2015

Q1

- The Bøyla field in Norway starts production
- Eight licences awarded in the APA 2014 licensing round in Norway

Q2

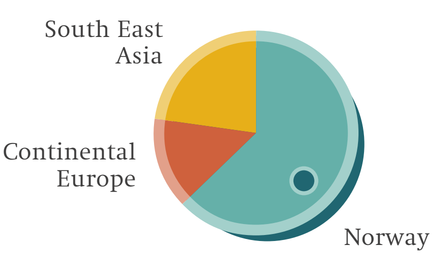
- The Bertam field in Malaysia starts production
- Lundin Petroleum assigned 22.6 percent of the Johan Sverdrup field
- Alta appraisal wells successfully completed, Norway
- NOK 4.5 billion exploration refund facility signed

Q3

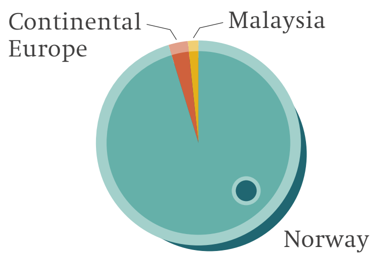
- Johan Sverdrup PDO approved
- Luno II North discovery, Norway

Q4

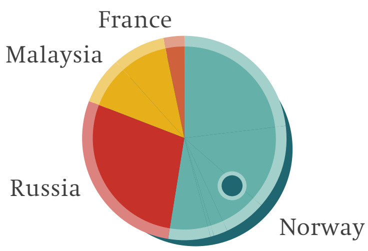
- The Edvard Grieg field in Norway starts production
- Rolvsnes discovery, Norway



Production
32,300
boepd



Reserves
685
MMboe



Contingent Resources
386
MMboe

Financial performance	2015	2014
Average Brent oil price	USD 52.4/boe	USD 99.0/boe
Cost of operations	USD 10.3/boe	USD 10.9/boe
EBITDA	MUSD 384.7	MUSD 671.3
Operating cash flow	MUSD 699.6	MUSD 1,138.5
Net result	MUSD -866.3	MUSD -431.9

Sustainability performance	2015	2014
Fatalities	0	0
Oil spills	0	2
LTI rate	1.76[1]	1.23[1]

[1] *per million hours worked*

Looking forward 2016

- Aim for zero fatalities, zero serious incidents and zero harm to the environment
- Continue our sustainable organic growth strategy
- Continue strong focus on cost discipline and operating efficiency
- Continue to have a positive impact in all areas of operations

2016 Capital Budget

USD **1.08** billion

Exploration and Appraisal

MUSD **145**

- One exploration well on the Utsira High
- Two exploration wells in the southern Barents Sea
- Two exploration wells in Malaysia
- Two exploration wells in the Netherlands
- Alta-3 re-entry and development feasibility studies
- Johan Sverdrup Phase 2 concept selection
- Luno II commercial feasibility studies

Development

MUSD **936**

- Johan Sverdrup Phase 1 development
- Edvard Grieg development drilling
- Ivar Aasen tie-in
- Greater Alvheim area development drilling
- Viper/Kobra development drilling
- Bertam development drilling

Production Forecast

60,000–70,000 boepd

- Edvard Grieg production ramp-up
- Greater Alvheim area development
- Ivar Aasen first oil expected Q4 2016
- Viper/Kobra first oil expected late 2016

“

Lundin Petroleum is in strong health with reserves of close to 700 MMboe and a production base that will grow significantly

Alex Schneiter
President and CEO

Transformational production increases

It makes me very proud to report that Lundin Petroleum passed a significant milestone by achieving first oil from Edvard Grieg at the end of November 2015. We delivered this project ahead of our latest guidance, and more importantly it was delivered safely and within budget. Initial performance is very encouraging and ahead of our expectations in terms of facilities uptime and well productivity. This has been a remarkable achievement by our Norwegian project team, our contractors and subcontractors and would not have been possible without the excellent support received from our partners and the government in Norway. Edvard Grieg marks the beginning of a transformational increase in Lundin Petroleum’s production levels and cash flow generation going forward. I am also pleased to report that we met our revised production forecast of 32,000 boepd for the full year.

Our 2016 objectives are very clear. First of all, we will maximise our existing operational efficiency to establish a solid foundation of strong cash flow for the next growth phase of Lundin Petroleum. Capital and operational efficiency is in the forefront of our minds. We are also embracing the low oil price environment as a time of opportunity when it comes to our operations. Secondly, we will continue to work very hard to maintain a robust balance sheet and strong access to liquidity. Capital discipline will be a major focus in these challenging times. This will also allow us to maintain an opportunistic attitude and take full advantage of the current deflationary environment. Thirdly, we will continue to play a proactive role towards the execution of the Johan Sverdrup project and provide all the support required at the partnership level to maximise the ultimate profitability of this world class asset. Finally, our organic growth strategy remains intact and we will continue to explore for new resources. In this environment, though, we will maintain a very disciplined and focused approach, which, in actual fact, has been very successful in the past, leading to great discoveries and value creation.

Lundin Petroleum is in strong health with reserves of close to 700 MMboe and a production base that will grow significantly. Our cost of operations will fall below USD 10 per barrel and with strong access to liquidity to withstand the current low oil price environment we will emerge from this downturn as a company that is stronger than ever.

Edvard Grieg and production

Edvard Grieg commenced production on 28 November 2015 and since then has achieved remarkable uptime performance with initial productivity per well exceeding expectations allowing spot gross production rates in excess of 90,000 boepd. In addition, following successful field appraisal, we have been able to book an additional 20 MMboe of gross reserves on the Edvard Grieg field, bringing the total gross field reserves to 207 MMboe.

The Brynhild field delivered production in line with our guidance for the second half of 2015, however achieving consistent levels of uptime performance remains challenging. The Brynhild subsurface data acquired so far from the producing wells suggests the connected volume is significantly lower than was predicted in our Plan of Development. This downward revision to Brynhild reserves has however been offset by positive revisions to our Alvheim area and Edvard Grieg reserves.

For 2016 our production guidance is between 60,000 and 70,000 boepd. This equates to a doubling of 2015 levels. The Edvard Grieg field will be the largest contributor of Lundin Petroleum's production growth until the Johan Sverdrup field comes onstream towards the end of 2019. Edvard Grieg will reach its plateau production as planned during the second half of 2016.

Johan Sverdrup development

The execution of the Johan Sverdrup Phase 1 development is going according to plan. More importantly, we continue to see the benefit of the current market conditions and the impact of the low oil price environment on costs. Statoil, the operator of the Johan Sverdrup field, have reported further cost reductions for Phase 1 which is now estimated at NOK 108.5 billion compared to the original plan of development estimate of NOK 123 billion; a downwards revision of 12 percent. Furthermore, debottlenecking measures have been approved with the aim to increase Phase 1 production capacity.

Significant progress has also been achieved towards the concept definition of Phase 2. This has resulted in further savings with the total full field capital expenditure now estimated at between NOK 160 and 190 billion (real 2015) compared to the original plan of development full field estimate of NOK 170 to 220 billion. Phase 2 concept selection is anticipated to be made towards the end of 2016.

Johan Sverdrup is ideally positioned to take the full benefit of this challenging environment and corresponding low oil price. There has not in recent years been a better time to go in the market and award contracts. I anticipate we will see further cost savings in Johan Sverdrup which will further improve the economics of this world class project.

Exploration and appraisal

We continue to be active on the exploration front with particular focus on the Utsira High and the southern Barents Sea in Norway and Sabah in Malaysia. During the year, we made two new discoveries, Luno II North and Rolvsnes, located on the Utsira High. Studies are ongoing to establish the commerciality of these and other nearby discoveries as potential tie-backs to the Edvard Grieg facilities.

I remain confident in our ability to continue to find new resources with the quality and potential to create value within our core exploration areas. Overall, we have demonstrated that with a focused approach, innovative and creative thinking and a long-term strategy of organic growth, we will continue to generate significant shareholder value with our average finding costs in Norway remaining well below USD 1 per barrel.

In 2016, our strategy remains unchanged and our main focus will be the southern Barents Sea where we will be active on both fronts, exploration and appraisal, with a particular focus on the existing Alta discovery area. I firmly believe that the southern Barents Sea potential is significant and this is a region where Lundin Petroleum will dedicate significant resources for the years to come. Further exploration drilling will also be taking place on the Utsira High in Norway and Sabah in Malaysia.

As we enter a new phase of significant growth, I am confident in our ability to take full advantage of this challenging environment. Ultimately, this is about positioning Lundin Petroleum to deliver a sustainable value driven transformation. This transformation is possible with the enthusiasm and hardworking culture embedded in the Company. I am very grateful for the continued support from you, fellow shareholders, the Board and the whole team at Lundin Petroleum.

Yours Sincerely,

Alex Schneiter
President and CEO

> "As demand for oil remains strong and is likely to continue to grow until at least 2030, there is a significant likelihood that the oil price will spike to record levels once again
>
> **Ian H. Lundin**
> Chairman of the Board

Well positioned for the next phase of growth

A historic milestone was reached in November 2015 with the commencement of production from the Edvard Grieg field. Gross plateau production is expected to be 100,000 boepd during the second half of 2016. It is by far the largest and most complex project ever undertaken by Lundin Petroleum as an operator and it was delivered on time, on budget, without any adverse impact on the environment and with an excellent safety performance.

I am very proud of the team at Lundin Norway for this achievement, which has secured the future for Lundin Petroleum as we move into the next phase of growth, which will culminate with the commencement of production from the Johan Svedrup field. The PDO for Phase 1 of the giant development received final approval in August 2015. Phase 1 is scheduled to come onstream in late 2019 and reach a gross production level in excess of 380,000 bopd. When the full field reaches gross plateau production at between 550,000 and 650,000 bopd, Johan Sverdrup will then represent approximately 40 percent of Norwegian oil production and will be the largest producing field in Norway.

The operated Bertam field also came on production during the year with first oil achieved in April 2015. This was our first development project in Malaysia and it was completed safely, on schedule and budget within 18 months from PDO approval, which is a remarkable achievement.

Lundin Petroleum continues to invest in exploration despite the difficult market conditions, with a strong focus on the southern Barents Sea where Lundin Petroleum has already had significant success with the Alta and Gohta discoveries. In 2016, the Alta discovery will be further appraised, the Neiden well will be re-entered and tested and the Filicudi prospect, located just south of Statoil's Johan Castberg discovery, will be drilled.

Operating at lowest cost in the sector

Lundin Petroleum is established as a reputable operator in all disciplines from grass root exploration through development and production, with a cost of operations of less than USD 10 per barrel going forward, which is among the lowest in the sector. One reason for the low cost of operations is the fact that Lundin Petroleum has concentrated historically on finding conventional resources with large potential. Our average finding cost in Norway is exceptionally low at USD 0.7 per barrel after tax.

The next phase of growth

However, as the low oil price environment continues to prevail, the viability of the industry is being tested from top to bottom, and a number of projects have already either been postponed or cancelled. Thankfully the fiscal regime in Norway, coupled with significant cost reductions achieved across the board, means that the economic viability of the Johan Sverdrup project, for example, is still compelling down to an oil price below USD 30 per barrel. I maintain the view that the oil price will recover in the short to medium term to levels which will enable most conventional oil projects to proceed, but not high enough to encourage investments in unconventional resources such as shale oil, tar sands and fields located in ultra-deep water.

As demand for oil remains strong and is likely to continue to grow until at least 2030, there is a significant likelihood that the oil price will spike to record levels once again when the real impact of all the cancelled projects takes effect in the next two to five years. The market is still looking for balance as global production continues at record levels and as storage facilities are insufficient to absorb the surplus. However, it is doubtful how long these levels of production can be maintained without significant investments and reservoir damage.

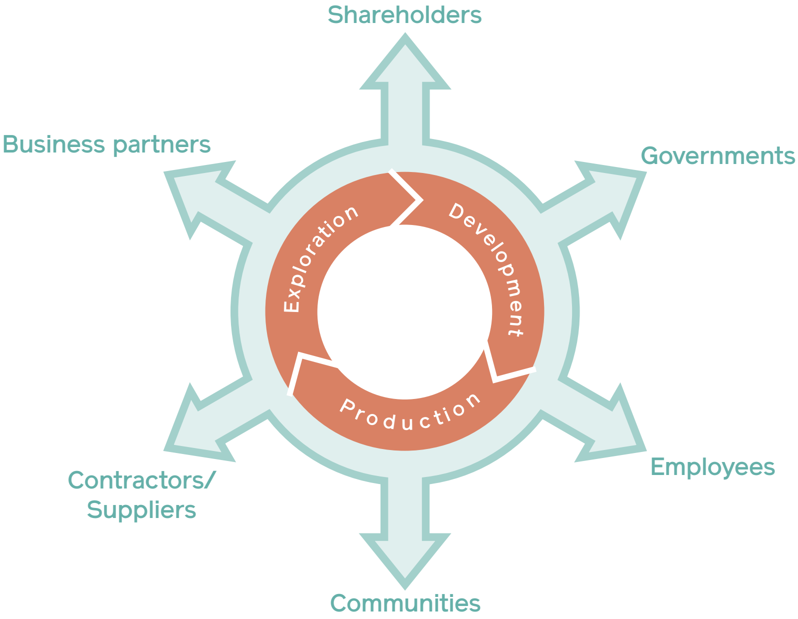
The current low oil price environment is of course difficult from a financing point of view and we are fortunate to have the continued strong support of our financial institutions in spite of the uncertain future for many companies in our industry. I also, more than ever, value the hard work and dedication of all our employees, who are living up to the challenge and who are delivering the promise to become the most successful independent oil and gas company in the world.

Ian H. Lundin
Chairman of the Board

More information on Corporate Governance can be found on pages 50–70

Sustainable growth

Discovering and developing resources creates long-term sustainable value for our shareholders and society as a whole



Shareholders
Lundin Petroleum is owned by its shareholders and our key objective is to deliver outstanding and long-term sustainable value to them. Value creation is achieved by pursuing a strategy that emphasises sustainability and organic growth. We constantly review our asset portfolio to ensure that its value is maximised, including optimising cost levels at all stages throughout the life cycle of our assets.

Employees
People are Lundin Petroleum's most important asset and we provide our employees with a safe and rewarding working environment to make sure that they have the sufficient skills, knowledge and motivation to be successful in their work. The investment in our employees is evident in the strong results Lundin Petroleum has delivered and in the low level of employee turnover compared to industry norms.

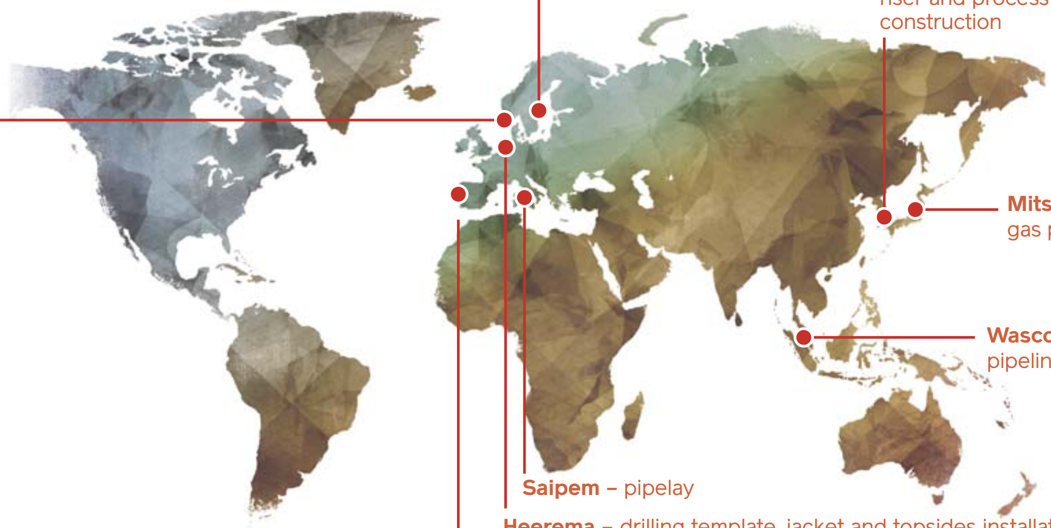
Contractors and suppliers
Lundin Petroleum employs a large number of contractors and suppliers spanning the exploration, development and production activities, creating job opportunities throughout the oil and gas industry and the service sector. For an overview of contractors engaged in the giant Johan Sverdrup field, see page 11.

Business partners
Within the oil and gas industry, cooperation with our business partners is the key to being successful. Lundin Petroleum works closely with partners throughout all phases of the project life cycle to share costs and risks and to ensure that exploration activities and development projects are delivered safely and on schedule.

Governments
One of Lundin Petroleum's main financial contributions to society comes through taxes paid to host governments, predominantly in the form of corporate and production tax on sales proceeds from oil and gas production. In Norway, for example, the aggregate taxes, including petroleum production tax, is set at 78 percent. The Edvard Grieg field, which started production end of 2015, is expected to generate revenue of more than NOK 20 billion for the Norwegian state during the life of the field.

Communities
Local communities are important to Lundin Petroleum and we build trusting long-term relationships and engage with local stakeholders before and during any operational activities. In addition to the local infrastructure, revenues and jobs that our projects create, we have over the years funded a significant number of social, educational and environmental projects and organisations with the aim to contribute to local development.

Major Johan Sverdrup contracts awarded[1]



[1]*as at 1 March 2016*

Phase 1 development work for Johan Sverdrup can provide around 51,000 man-years of work in Norway, 2,700 man-years in the production phase

More information on the Johan Sverdrup field can be found on page 25

The Johan Sverdrup development is a project with a global reach

The sheer size and scale of the Johan Sverdrup project will make it one of the most important industrial projects in Norway over the next 50 years. The development of, and production from, this giant field will provide huge benefits to society as a whole for generations to come.

In 2016 alone, it is expected that more than 14,000 people will be involved on a daily basis in the Johan Sverdrup project, working towards successfully delivering the project on time, to the required quality and, most importantly, with a focus on health, safety and environmental excellence.

The major contracts have been awarded for the construction of the platforms, subsea equipment and services for Phase 1 of the project. While the majority of the contracts have been awarded to companies located in Norway, many international companies have also benefitted, highlighting that Johan Sverdrup is a truly global project.

Savings in emissions and discharges

The Johan Sverdrup field will receive power from shore which is expected to result in emissions savings of 19 million tonnes of CO_2 over the field's lifetime. This represents a reduction of 80 to 90 percent compared with a standard development solution, and is equivalent to more than one year of emissions from the entire oil and gas industry on the Norwegian Continental Shelf.

In order to reduce discharges, the best possible purification techniques will be used at the Johan Sverdrup field and produced water will be re-injected into the reservoir, thereby cutting discharges by an estimated 98 percent.

Oil Market Overview

Oil market – words from the CEO

We continue to witness extreme volatility in oil prices with falls to levels not seen in over a decade and it is clear to me that the battle for market share is approaching its final conclusion. At current price levels I believe a rebalancing of supply and demand is inevitable and likely to take place during the second half of 2016, as higher cost producers are forced to curtail production levels. We know from our own experience that unique and highly prized assets such as Johan Sverdrup are not discovered every day and it is only fields with these characteristics that can be developed at current price levels. All fields face natural decline and therefore the significant investment cuts and project deferrals that we have seen will ultimately lead to a recovery in oil prices.

That being said we must face the realities of low oil prices and the best strategy in such market conditions is to execute on and deliver a low cost asset base. That is exactly what we are doing.

Alex Schneiter
President and CEO

Oil market – context

A three and a half year wave of strong oil prices finally broke in the middle of June 2014 as price levels topped out above USD 115 per barrel. Increased supply from non-OPEC producers, particularly the boom in US shale oil production laid the ground for a battle for market share with OPEC that decided to reverse its role of swing producer in November 2014 and instead turn up the heat on oil markets with an increase in production levels. Prices collapsed and by the end of 2014 were approaching USD 50 per barrel, a level not seen since early 2009.

Current oil market

As we entered 2015, the debate surrounding oil prices was centred on whether we would see a V-shaped recovery or if we were in for a prolonged period of lower oil prices. It certainly appeared that the more bullish commentators who expected a swift rebound in oil prices were winning the debate as oil prices recovered to levels approaching USD 70 per barrel during May 2015. However, this recovery was short lived and prices fell below USD 40 per barrel by the end of 2015. It was almost a case of déjà vu, with the November OPEC meeting failing to deliver output cuts that could have rebalanced oil markets in a more orderly fashion. Instead we saw Saudi Arabia laying down the gauntlet to the higher cost producers in the final stages of the battle for market share. Fresh market dynamics added to increased volatility such as the concerns with respect to economic growth in China and nervous anticipation of returning Iranian crude volumes to the market. This combined with

resilient US production set the stage for further uncertainty as opposed to an orderly recovery in oil prices, and we witnessed unprecedented weakness with oil prices breaking below the USD 30 per barrel level in early 2016.

Effect on the oil and gas industry

In some respects one can argue that this shock to the industry will turn out as a blessing in disguise. What is clear is that cost levels within the industry have been increasing at unsustainable levels for years. In addition, many market players have developed more complex internal standards for equipment and services that, instead of increasing technology driven productivity improvements at lower cost, actually delivered increased and unnecessary complexity that ultimately fed through into higher cost levels.

Thankfully, our industry has responded to the challenge of lower oil prices and companies have reacted by redoubling efforts to lower cost, improve efficiency and increase productivity by challenging both equipment and service companies to adjust to the new market reality and to streamline and drive productivity improvements internally. This should lower our base for value creation going forward.

As we look to the future, it becomes clearer than ever that the foundation for rebalancing demand and supply has been firmly laid. Week by week we see active rig counts falling in the US back to historically low levels. We continue to see huge investment cuts as industry players ensure that preserving cash and maximising liquidity become the top priority so that the fittest and strongest players can emerge from the downturn and take advantage of the new market order.

Well placed to weather a lower oil price environment

Lundin Petroleum is very well positioned to stand firm against the strong headwinds the industry is facing. Our assets sit at the bottom end of the industry cost curve and our forward looking commitments are focused on projects such as Edvard Grieg and Johan Sverdrup that will deliver strong cash flow generation even down to very low oil prices.

Our forecast for 2016 show that even at oil prices of USD 30 per barrel, we can generate operating cash flow of USD 25 per barrel and there are very few companies in the sector that can match this performance.

As we look forward, Johan Sverdrup dominates our growth story, and with falling cost levels we see the breakeven oil price drop to below USD 30 per barrel. World class projects such as Johan Sverdrup come once in a generation and we are very fortunate as a company to be awarding our contracts for this unique asset in a market that has never been more favourable in terms of cost levels and capacity to deliver the project on time and under budget.

When we combine our asset base with the strength of our liquidity position, one can only rest assured that we will come out of this cycle stronger than ever. Maintaining our strategy of organic growth is the key to further capitalising on our company strengths as this is the lowest cost way to grow our resource base and create long-term sustainable value for all of our stakeholders.

Share and Shareholders

Lundin Petroleum share

The Lundin Petroleum share is listed on the Large Cap list of NASDAQ Stockholm and is part of the OMX 30 index. Notwithstanding the challenging market environment, the Lundin Petroleum share increased by 9 percent during 2015 compared to a decrease of 21 percent for the S&P Global Oil Index and a decrease of 33 percent for a peer group of 7 European E&P companies.

Market capitalisation

Lundin Petroleum's market capitalisation as at 31 December 2015 was MSEK 38,137.

Trading of the Lundin Petroleum share

During 2015, a total of 432 million shares were traded on NASDAQ Stockholm to a value of approximately SEK 52.9 billion, representing a daily average of 1.7 million shares per trading day. The share trading turnover during 2015 equated to approximately 1.5 times the shares in issue and approximately 2 times the number of shares in free float.

Share capital

The registered share capital as at 31 December 2015 amounted to SEK 3,179,106 represented by 311,070,330 shares with a quota value of SEK 0.01 each (rounded off), representing one vote each. All outstanding shares are common shares and carry equal rights to participation in Lundin Petroleum's assets and earnings.

The Annual General Meeting (AGM) of Lundin Petroleum held on 7 May 2015 resolved to authorise the Board of Directors to purchase and sell Lundin Petroleum shares up to five percent of the total amount of shares in issue until the next AGM. The purpose of the authorisation is to provide the Board of Directors with a means to optimise Lundin Petroleum's capital structure and to secure Lundin Petroleum's exposure in relation to its long-term incentive programmes. During 2015, Lundin Petroleum did not purchase or sell any of its own shares and at 31 December 2015 the Company held 2,000,000 of its own shares.

AGM resolution

During the 2015 AGM, it was resolved that the Board of Directors is authorised to issue no more than 34 million 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 approximately 10 percent after the new issue.

Lundin Petroleum's website provides further information on the performance of the Lundin Petroleum share.

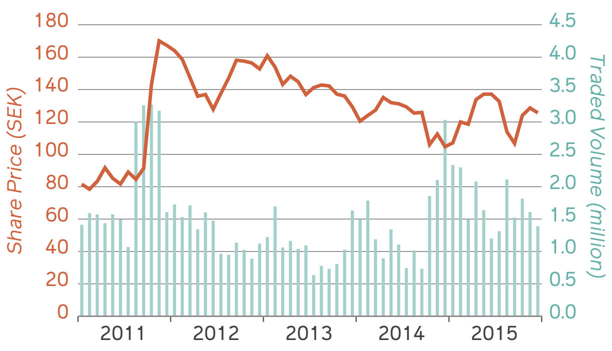
More shareholder data can be found on page 130

Dividend policy

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

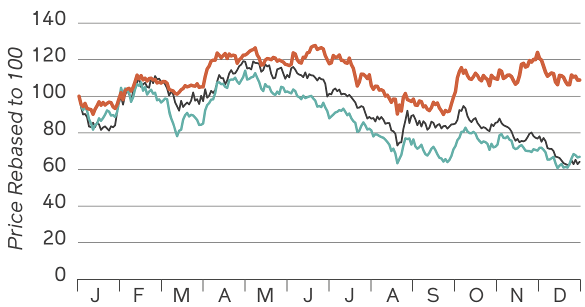
The size of any dividend would have to be determined by Lundin Petroleum's financial position and the possibilities for growth through profitable investments. Dividends will be paid when Lundin Petroleum generates sufficient cash flow and operating income from operations to maintain long-term financial strength and flexibility. With the substantial increase in Lundin Petroleum's production profile over the next years, driven by the Edvard Grieg and the Johan Sverdrup fields in Norway, over time the total return to shareholders is expected to partially transfer from an increase in share price to dividends received.

5 Year Share Price 2011–2015



Lundin Petroleum AB (LUPE) share price (monthly daily average)
Traded daily volume Nasdaq Stockholm (monthly average)

Relative Share Price Performance 2015



Lundin Petroleum
Peer Group (Tullow, Detnor, Premier, Ophir, Cairn, EnQuest, Soco)
Brent

Source: Bloomberg

Share ownership structure

Lundin Petroleum had 37,254 shareholders as at 31 December 2015. The proportion of shares held by Swedish retail investors amounted to 11 percent. The top 10 shareholder list excludes shareholdings through nominee accounts.

The 10 largest shareholders as at 31 December 2015	Number of shares	%
Lorito Holdings (Guernsey) Ltd.[1]	76,342,895	24.5
Swedbank Robur fonder	19,620,448	6.3
Zebra Holdings and Investment (Guernsey) Ltd.[1]	10,844,643	3.5
Landor Participations Inc.[2]	10,638,956	3.4
SKAGEN fonder	5,320,855	1.7
Handelsbanken fonder	4,116,426	1.3
Nordea fonder	2,676,590	0.9
Fjärde AP-fonden	2,253,729	0.7
SPP Fonder	1,985,071	0.6
SEB	1,817,400	0.6
Other shareholders	175,453,317	56.5
Total	311,070,330	100

[1] An investment company wholly owned by a Lundin family trust.
[2] An investment company wholly owned by a trust whose settler is Ian H. Lundin.

The above list only includes institutional shareholders who hold the shares directly as reported by Euroclear Sweden.

Statoil announced on 14 January 2016 the acquisition of 37,101,561 shares in Lundin Petroleum, corresponding to 11.93 percent.

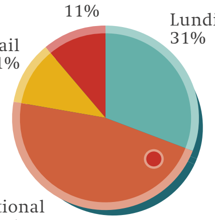
Size categories	Number of shareholders	Percentage of shares, %
1 – 500	26,907	1.33
501 – 1,000	4,515	1.22
1,001 – 10,000	4,908	4.75
10,001 – 50,000	606	4.29
50,001 – 100,000	93	2.13
100,001 – 500,000	151	11.31
500,001 –	74	74.96
Total	37,254	100.00

Share data

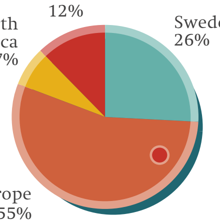
	31 Dec 2015	31 Dec 2014
Number of shares issued	311,070,330	311,070,330
Number of shares owned by Lundin Petroleum	2,000,000	2,000,000
Number of shares in circulation	**309,070,330**	309,070,330

Source: Euroclear Sweden, December 2015

Shareholder Structure – Sector



Shareholder Structure – Geographical



Source: IPREO, November 2015

Gobal and local indices

Lundin Petroleum forms a part of several global and local indices. Some of the larger indices[1] which Lundin Petroleum forms part of are listed below.

- OMX Stockholm 30
- STOXX Europe 600
- Bloomberg European 500
- S&P Global Oil
- S&P Global Broad Market Index

[1] By total market value, 16 February 2016

"

2015 was a transformational year for Lundin Petroleum with the start-up of three new fields

Nick Walker
Chief Operating Officer

Organic strategy bearing fruit

Our strategy of value creation through organic growth is bearing fruit and we continue to believe that this is the best way to create long-term sustainable shareholder value. This strategy has served us well, establishing a conveyor belt of new projects that are moving into production.

2015 was a transformational year for Lundin Petroleum with the start-up of three new fields, Bøyla, Bertam and our flagship operated Edvard Grieg project. All three projects were delivered safely, on schedule and budget and with strong operating performance.

Early performance at Edvard Grieg exceeds expectations, which sets us up for a strong performance in 2016. As we entered the year, our production was more than double 2015 levels and through the year we will see the further ramp-up of Edvard Grieg as the field reaches plateau production in the second half of 2016.

In 2015, we sanctioned Phase 1 of the giant Johan Sverdrup development, which is the largest Phase 1 project ever in Norway and we are progressing towards concept selection for Phase 2 of the project. When Phase 1 starts up in late 2019 we will see our production exceed 100,000 boepd and then grow further to 150,000 boepd at full field plateau levels.

We have of course adapted our business to the current environment, focusing on strategic activities and reducing our cost base. In 2016, our high quality business will deliver costs of operations of less than USD 10 per barrel, which will reduce to about half that level when Johan Sverdrup comes onstream. I believe we are well placed to come out the other side of this business cycle stronger than ever.

We have retained a strong exploration programme focused on the Utsira High and the southern Barents Sea in Norway and on Sabah in Malaysia. We continue to have success with the appraisal of the significant Alta and Gohta discoveries in the southern Barents Sea and we will again be the most active company in the area in 2016. The southern Barents Sea is an emerging major production area and I am confident that in time we will see Alta and Gohta progress towards development. The goal of our Utsira High programme is to keep our new Edvard Grieg facilities full when the field comes off plateau, the recent Luno II North and Rolvsnes discoveries are a great start.

Results are not delivered without people and these exceptional operating results are a reflection on the world class team we have established in Lundin Petroleum, which it was a privilege for me to join in 2015.


EDVARD GRIEG
16/1-LUNDIN

Production

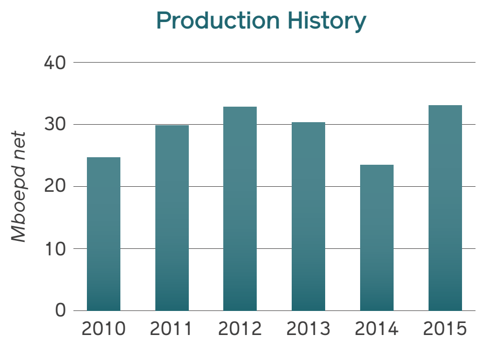
Performance 2015

32,300 boepd

Forecast 2016

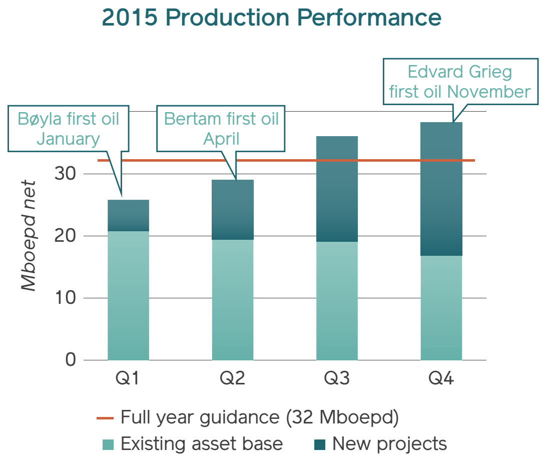
60,000–70,000 boepd

Edvard Grieg production to ramp-up during 2016



2015 Production performance met revised guidance

During 2015, Lundin Petroleum produced 11.8 million barrels of oil equivalent (MMboe) at an average rate of 32,300 barrels of oil equivalent per day (boepd) which is in line with the revised production guidance issued in August 2015. The 2015 original guidance level of 41,000 to 51,000 boepd was revised down mid-year predominantly as a result of revising the Brynhild forecast and the delay of the installation of the Edvard Grieg topsides. The forecast exit production rate of 75,000 boepd was achieved in January 2016, marking a transformational increase in production.

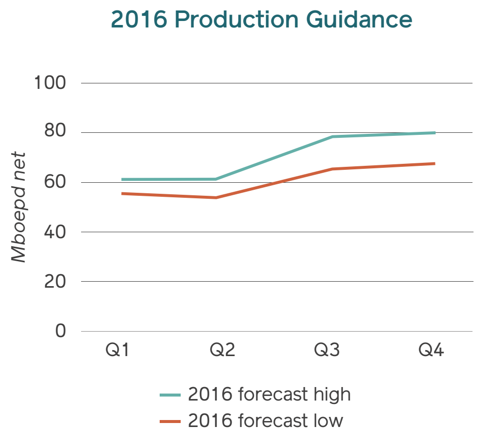


Production rates expected to double in 2016

Lundin Petroleum's production forecast for 2016 is in the range of 60,000 to 70,000 boepd which is double the rate achieved in 2015. This transformational growth is a direct result of the start-up of four new development projects, most significantly the operated Edvard Grieg field. In line with the reservoir management plan, the Edvard Grieg production rates will be held at rates lower than full field potential while water injection capacity builds through 2016. A back-to-back water injector well campaign is underway in the first half of 2016 which will allow production levels to ramp-up to plateau in the second half of the year.

Looking ahead

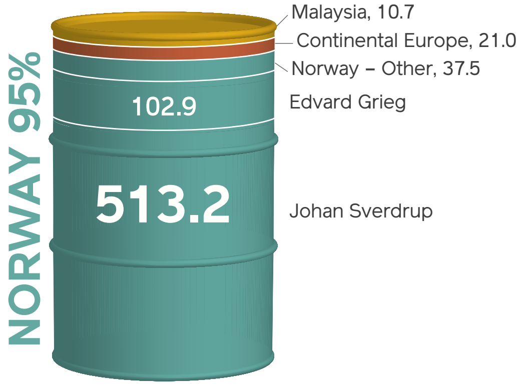
The giant Johan Sverdrup oil field is planned to start production in late 2019 and is expected to increase Lundin Petroleum's production levels to above 100,000 boepd when Phase 1 plateau production is achieved in 2020, and increase further to about 150,000 boepd when full field plateau is reached. This excludes any contribution from the significant contingent resource base, or any contribution from exploration wells that Lundin Petroleum is planning to drill.



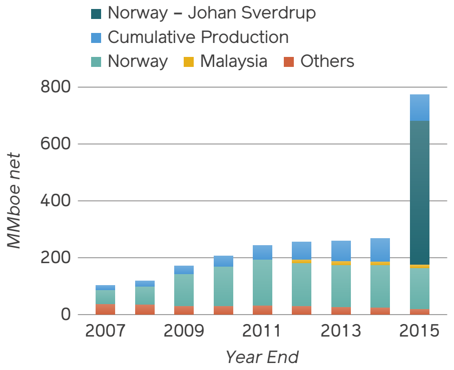
Reserves end 2015
685.3 MMboe

With the inclusion of the Johan Sverdrup field, Lundin Petroleum's reserves have more than tripled in the last year

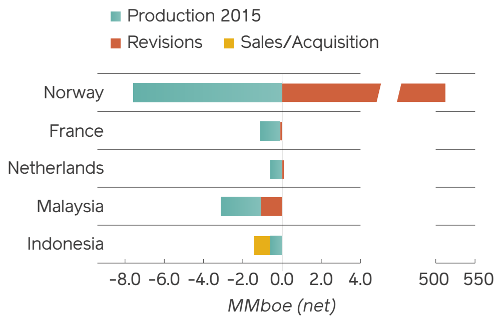
Reserves
(MMboe net)



Reserves History



End 2015 Reserves Changes



Reserves Summary	MMboe
Reserves end 2014	187.5
2015 Production	-11.8
- Sales / + Acquisitions	-0.8
+ Revisions	+510.4
Reserves end 2015	**685.3**
Reserves increase	292%
Reserves replacement	4,329%

Reserves increases 2015

Lundin Petroleum had 685.3 MMboe of certified reserves at the end of 2015. More than 500 MMboe of new reserves were added in 2015, resulting in an almost 300 percent increase in reserves compared to 2014, excluding production of 11.8 MMboe in 2015. From 2003 to 2015, Lundin Petroleum has increased its reserves base more than ninefold.

The significant increase is driven by the inclusion of the Johan Sverdrup field into the reserves base for the first time, but also related to positive revisions in the Edvard Grieg field and the Volund field reserves, offset by negative revisions in the Brynhild field and the sale of Lundin Petroleum's reserves in Indonesia. The increase in reserves resulted in a reserves replacement ratio of more than 4,000 percent, including total production of 11.8 MMboe in 2015. The reserves to production ratio at the end of 2015 stands at 29 years, which is well above industry norms.

Predominently oil reserves

96 percent of the 685.3 MMboe of reserves is related to oil and natural gas liquids (NGL). Lundin Petroleum quotes all of its reserves in working interest barrels of oil equivalent. All reserves are independently audited by ERC Equipoise Ltd. (ERCE).

Reserves

Unless otherwise stated, all reserves estimates in this Annual Report are the aggregate of "Proved Reserves" and "Probable Reserves", together also known as "2P Reserves".

Reserves quantity information and definitions can be found on pages 127–128.

Contingent Resources
end 2015
386 MMboe

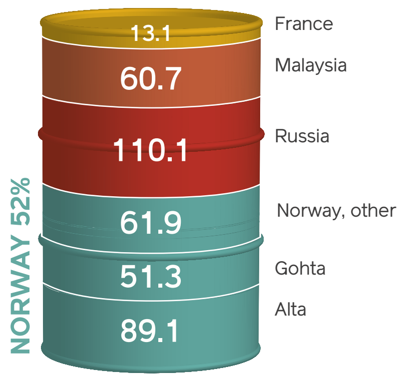
Lundin Petroleum has a number of discovered oil and gas resources which are classified as contingent resources. Contingent resources are known oil and gas resources not yet classified as reserves due to one or more contingencies. Work is continuously ongoing to remove these contingencies and to mature contingent resources into reserves and ultimately production.

Contingent resource additions

The contingent resource base increased through the 2015 exploration discoveries Luno II North and Rolvsnes, both located on the Utsira High in the Norwegian North Sea.

There was also a rationalisation of the contingent resource portfolio in 2015, including disposal of the contingent resources in Indonesia, the SE Tor field in Norway as well as the farm-down in SB303 gas contingent resources in Malaysia. This resulted in a four percent decrease in the contingent resource base compared to 2014.

Contingent Resources
(MMboe net)



Contingent Resources
Unless otherwise stated, all contingent resource estimates in this Annual Report are unrisked best estimate.

Resource definitions can be found on page 128.

Prospective Resources

Lundin Petroleum's business model is to grow organically through exploration. This means to identify and mature exploration targets, drill exploration wells, appraise discoveries, develop and finally produce. To be successful with this strategy, access to world class exploration acreage and first class people is essential. Lundin Petroleum has focused upon two core exploration areas, Norway and Malaysia.

Lundin Petroleum only discloses prospective resource estimates for those prospects that will be drilled in the following year. However, many more prospects and leads have been identified from the large exploration licence portfolio and are being matured to be drilled in future years.

Norway exploration programme

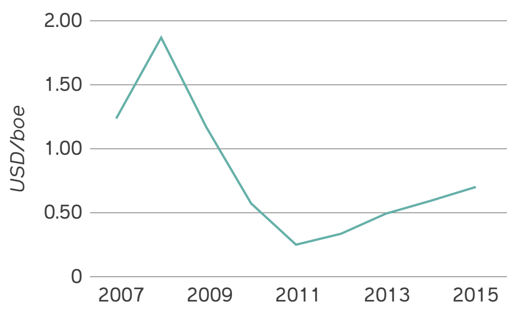
In Norway, Lundin Petroleum has grown to become one of the largest operated acreage holders and has been the most successful explorer in the last 10 years. By the end of 2015, Lundin Petroleum had drilled a total of 81 exploration and appraisal wells, resulting in a cumulative finding cost of USD 0.7 per barrel. In 2015, Lundin Norway won an award as the explorer of the year with the jury emphasising Lundin Norway's willingness to take measured risk and to try out new play models.

The exploration programme for 2016 includes two exploration wells, one on the Utsira High and one in the southern Barents Sea as well as one re-entry in the southern Barents Sea.

Malaysia exploration programme

Since Malaysia was established as a core area in 2008, Lundin Petroleum has grown to become the second largest acreage holder after Petronas, with a total gross licence acreage of approximately 28,000 km². The exploration programme for 2016 includes two exploration wells in Sabah, offshore East Malaysia.

Norway – Cumulative Finding Costs [1]



[1] Costs include cumulative exploration and appraisal costs since inception up to 31 December 2015. Discovered resources assume year end 2015 remaining 2P reserves for Edvard Grieg, Volund, Bøyla, Brynhild and Johan Sverdrup. For Gaupe, Volund, Brynhild, Bøyla and Edvard Grieg cumulative production up to 31 December 2015 is also included in reserves. Brynhild 2P reserves have been adjusted for 50 percent ownership at the time of making the discovery. Contingent resources for Gohta, Alta, Luno II, Luno II North and Rolvsnes have been estimated by Lundin Petroleum.

Norway

The commencement of production from the Edvard Grieg field is a major milestone for Lundin Petroleum, marking the beginning of a transformational increase in production levels and cash flow generation

Lundin Petroleum's success through its organic growth strategy has established the Company as one of the major players in Norway. The very active exploration and appraisal programme in Norway during the last decade has yielded net recoverable resources in excess of 830 MMboe through the drilling of 81 exploration and appraisal wells.

With over 60 licences, Lundin Petroleum has a solid foundation to continue its organic growth strategy in terms of adding resources and growing its reserves and production. Lundin Petroleum's exploration activities are focused on two key areas, the Utsira High in the North Sea and the Loppa High in the southern Barents Sea. The appraisal, development and production activities are focused on three key areas, the Greater Alvheim area, the Utsira High with the Edvard Grieg and Johan Sverdrup developments and the Loppa High in the southern Barents Sea with the Alta and Gohta discoveries.

Norway Key Data	2015	2014
Reserves (MMboe)	**654**	149
Contingent resources (MMboe)	**202**	207
Average production per day (Mboepd), net	**21**	18
Net turnover (MUSD)	**376**	619
Sales price achieved (USD/boe)	**52**	94
Cost of operations (USD/boe)	**10**	7
Operational cash flow contribution (USD/boe)	**77**	154

Utsira High – North Sea

Edvard Grieg Field - PL338 (WI 50%)

- Edvard Grieg discovery in 2007
- Tellus discovery in 2011
- Edvard Grieg net reserves 103 MMboe
- First oil produced in November 2015
- Development drilling ongoing
- Successful appraisal of Edvard Grieg SE in 2014 and 2015
- Ivar Aasen unit (WI 1.385%) development ongoing
  – first production expected Q4 2016

Johan Sverdrup Field (WI 22.6%)

- Discovered in 2010 (PL501) and in 2011 (PL265)
- 22 wells and 7 sidetracks drilled
- Unit agreement finalised - WI 22.6%
- PDO approved in August 2015
- Net reserves 513 MMboe
- Major contracts for Phase 1 awarded during 2014 and 2015
- Phase 2 concept selection in 2016
- Phase 1 production start late 2019

Utsira High Exploration

- Luno II discovery in PL359 in 2013 gross contingent resources 27–71 MMboe
- Luno II North discovery in PL359 in 2015 gross contingent resources 12–26 MMboe
- Rolvsnes discovery in PL338C in 2015 gross contingent resources 3–16 MMboe
- 1 exploration well in 2016
  – Fosen prospect in PL544 (WI 40%) dry

Greater Alvheim Area – North Sea

Alvheim Field (WI 15%)

- Net reserves 17.9 MMboe
- Gross ultimate recovery 323 MMboe
- 2015 net production 7,800 boepd
- 15 producing wells, 9 multilaterals
- 3 new infill wells to be drilled in 2016
- Viper/Kobra development ongoing (first oil expected late 2016)
- 15% ownership of the Alvheim FPSO

Volund Field (WI 35%)

- Net reserves 9.6 MMboe
- Gross ultimate recovery 84 MMboe
- 2015 net production 4,900 boepd

Bøyla Field (WI 15%)

- Bøyla discovery in 2009
- Caterpillar discovery in 2011
- Net reserves 2.4 MMboe
- 2015 net production 2,100 boepd

Loppa High – Southern Barents Sea

Gohta and Alta Discoveries PL492 and PL609 (WI 40%)

- Gohta discovery in 2013
- Appraisal well drilled on Gohta, gross contingent resources 91–184 MMboe
- Alta discovery in 2014
- 2 Alta appraisal wells drilled in 2015
- Alta gross contingent resources 125–400 MMboe

Loppa High Exploration

- 2 exploration wells during 2016
  – Neiden prospect in PL609 (WI 40%) re-entry
  – Filicudi prospect in PL533 (WI 35%)

Other Areas

Brynhild Field - PL148 (WI 90%)

- Net reserves 5.1 MMboe
- 2015 net production 4,200 boepd

The prolific Utsira High area currently contains most of Lundin Petroleum's reserves and production

The Utsira High

The Utsira High is Lundin Petroleum's main focus area in Norway. During the last several years, Lundin Petroleum has steadily built an industry-leading understanding of the geology in the Utsira High which to date has resulted in discovering more than 2.5 billion barrels of gross recoverable reserves.

It was Lundin Petroleum's innovative thinking and measured risk-taking that found the key to the geological setting on the Utsira High in 2007 with the Edvard Grieg discovery. Subsequent drilling around the Utsira High has led to the discoveries of Johan Sverdrup, Ivar Aasen, Luno II and in 2015 Luno II North and Rolvsnes. The Company has a two-pronged exploration strategy in the area pursuing both large prospects with stand-alone development potential and near field tie-back exploration opportunities.

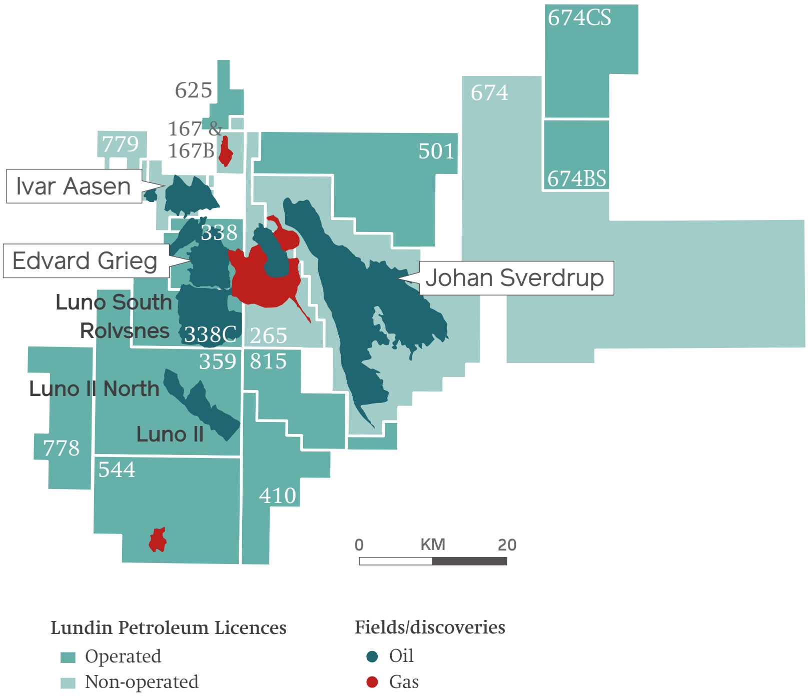
Edvard Grieg

Production from the Edvard Grieg field commenced in November 2015. The field was discovered in 2007 with Lundin Petroleum's first operated exploration well in Norway and is the Company's first stand-alone operated development project on the Norwegian Continental Shelf. The production start-up of the field marks a major milestone for the Company, and the initial field performance has been exceptional with both facilities uptime and the reservoir performance being better than expected.

The Edvard Grieg field is part of PL338, located approximately 180 km west of Stavanger, and is estimated to contain gross reserves of 207 MMboe. Two appraisal wells drilled in 2014 and 2015 in the southeast of the Edvard Grieg field led to a gross reserves increase of 20 MMboe. A further successful exploration well, just to the south of the Edvard Grieg field, was drilled in 2015 on the Rolvsnes prospect, encountering 3 to 16 MMboe of gross contingent resources. The Rolvsnes discovery has the potential to increase to 46 MMboe dependent on a future horizontal well encountering fractures in the weathered basement reservoir.

The Edvard Grieg development consists of a total of ten production wells and four water injection wells being drilled, with gross plateau production of 100,000 boepd expected during the second half of 2016. The drilling of the development wells is expected to continue into 2018.

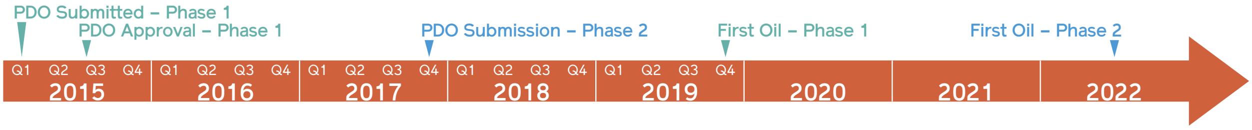
Utsira High area map

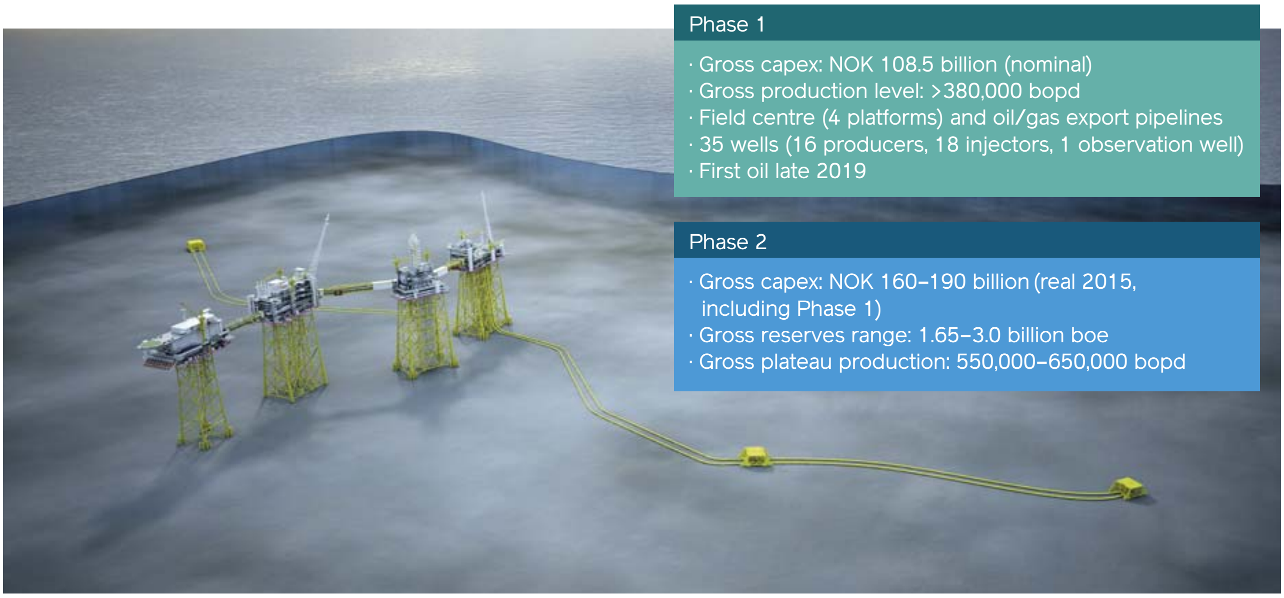


Ivar Aasen

The Ivar Aasen field is located immediately to the north of the Edvard Grieg field. Lundin Petroleum has a net ownership in Ivar Aasen of 1.385 percent, that was awarded in 2014 as a result of the Ivar Aasen reservoir extending into the Edvard Grieg licence. The Ivar Aasen field is estimated to contain gross reserves of 183 MMboe.

Ivar Aasen is being developed with a steel jacket platform and topside facilities. Oil and gas will be exported via the Edvard Grieg platform and the Ivar Aasen field is forecast to come onstream during the fourth quarter of 2016.





Johan Sverdrup PDO approved by the Norwegian Ministry of Petroleum and Energy in August 2015

The Johan Sverdrup field is located on the Utsira High in the central part of the Norwegian North Sea, approximately 20 km east of Lundin Petroleum's Edvard Grieg field and approximately 150 km from the west coast of Norway. Lundin Petroleum discovered the Johan Sverdrup field in 2010 and following an extensive appraisal campaign, totalling 22 wells and seven side-tracks, the field has been successfully delineated with an exceptional reservoir quality in relatively homogeneous sandstone spanning an area of approximately 200 km^2. The plan for development and operations (PDO) was approved in mid-2015 along with the settlement of the unitisation agreement, where the Company's non-operated share of the unitised field is 22.6 percent. The Johan Sverdrup field is estimated to contain gross reserves in the range of 1.65 to 3.0 billion boe.

During 2015, execution of Phase 1 of the development commenced and the project is progressing on schedule and the majority of the procurement and engineering contracts have been awarded. The contract awards have occurred at an opportune time given the deflationary cost environment within the oil and gas service sector. This has resulted in a gross Phase 1 reduction of capital expenditures (capex) of NOK 14.5 billion to NOK 108.5 billion (nominal), a 12 percent saving and there is also potential to achieve further cost savings.

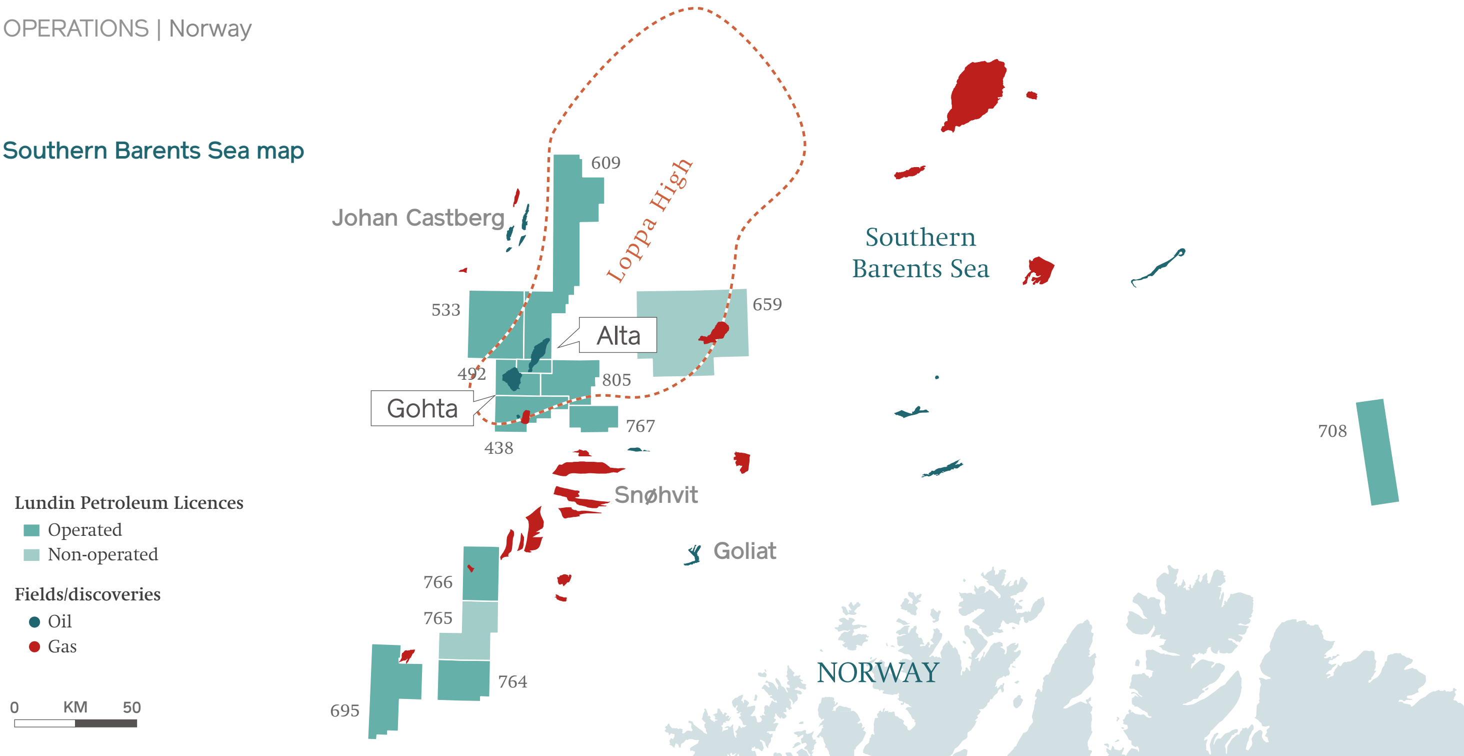
The Phase 1 development consists of four fixed platform installations at the field centre with dedicated export oil and gas pipelines to the Mongstad and Kårstø oil and gas terminals located on the west coast of Norway. The Phase 1 production capacity is 380,000 bopd and with recent de-bottlenecking measures approved Phase 1 capacity will increase further. Pre-drilling of 17 development wells commenced in the first quarter of 2016, with the installation of the riser and drilling platforms scheduled for 2018 and the processing and living quarter platforms in 2019. Production for Phase 1 is scheduled to commence late in 2019.

A concept selection for Phase 2 of the development will be made in 2016, with production from Phase 2 scheduled to commence in 2022. Phase 2 will include an additional processing platform located at the field centre and will increase the full field process capacity to between 550,000 and 650,000 bopd. Due to market conditions and optimisation of the project scope, gross full field development costs are reduced from between NOK 170 and 220 billion to between NOK 160 and 190 billion (real 2015).

Moreover, in the latest cost estimates for Phase 1 of the project presented by the operator Statoil, exchange rates are assumed to remain fixed at the rates used in the original PDO submission. For the NOK per USD the assumed PDO rate was 6.0 NOK per USD. For Phase 1 of the project it is estimated that 60 percent of the NOK 108.5 billion cost will be NOK denominated.

The NOK has significantly weakened by 30 percent against the US Dollar, from the exchange rate used in the PDO. Given that Lundin Petroleum is a predominantly US Dollar based company this would lead to further savings of 18 percent in US Dollar terms should the weakness in the NOK be maintained. In order to capture part of this benefit, Lundin Petroleum took the decision to lock in the historically weak NOK by hedging in aggregate USD 890 million at an average rate of 8.44 NOK per USD, representing approximately 50 percent of Lundin Petroleum's Phase 1 NOK exposure through to the end of 2019.

Southern Barents Sea map



The Alta discovery was successfully appraised during 2015

Southern Barents Sea

The southern Barents Sea is Lundin Petroleum's second exploration focus area in Norway with licences located in relatively shallow water and free of ice due to the influence of the Gulf Stream. Since 2007, Lundin Petroleum has established one of the largest acreage positions in the area and is firmly committed to continue its exploration and appraisal efforts in the area, following its breakthrough Gohta and Alta oil discoveries in 2013 and 2014 respectively. The Company submitted licence applications at the end of 2015 for acreage being offered through the Norwegian 23rd licensing round and is hopeful to be awarded acreage during the summer of 2016.

Loppa High

Most of Lundin Petroleum's acreage in the southern Barents Sea covers the highly prospective Loppa High. The licence position sits on trend with Statoil's Johan Castberg discovery to the west and Lundin Petroleum's own Gohta and Alta discoveries located in the southern part of the Loppa High. The southern Barents Sea is emerging as a major production area with the Snøhvit and Goliat fields already onstream and the announcement by Statoil that they are progressing towards concept selection for the Johan Castberg development.

Lundin Petroleum was an early mover, starting to build an acreage position in the southern Barents Sea as far back as 2007. Since then, the Company has drilled seven exploration wells, which all have encountered hydrocarbons and have resulted in two significant oil discoveries in Alta and Gohta, which contain gross contingent resources in the range of 216 to 584 MMboe. During 2015, Lundin Petroleum successfully appraised the Alta discovery with two appraisal wells on the western and eastern flanks of the structure. Pressure communication was established across all three wells drilled in the 60 km^2 Alta structure to date. Further appraisal of the Alta and Gohta discoveries will occur in the coming years. The programme in 2016 will involve the re-entry and test of the Alta-3 well drilled during 2015 and a development feasibility study.

Lundin Petroleum has identified multiple exploration prospects across its 6,700 km^2 of acreage in the southern Barents Sea and will be drilling one exploration well on the Filicudi prospect just to the northwest of the Alta discovery as well as re-entering the Neiden prospect located to the north of Alta.

Safe exploration in the southern Barents Sea

Lundin Petroleum's planning and preparation for exploration activities in the southern Barents Sea include cooperation and support from local resources in order to ensure robust solutions for any potential emergency situations or operational challenges related to the infrastructure in place.

At the end of 2015, the Norwegian Petroleum Safety Authority performed an audit of Lundin Petroleum's preparations for an exploration well in PL708, located in the southeastern part of the Barents Sea, and concluded that "Lundin have done thorough planning related to the establishment of a new helicopter base and operation in a new area of the Barents Sea".

Greater Alvheim Area

The Alvheim, Volund and Bøyla fields are located in the Greater Alvheim area in the central part of the North Sea. The Alvheim, Volund and Bøyla fields commenced production in 2008, 2010 and 2015 respectively and the area will represent around 20 percent of the Company's production in 2016.

Alvheim

The net production from the Alvheim field during 2015 was 7,800 boepd. Since start of production, the field has outperformed expectations and with the continued excellent reservoir performance the ultimate gross recoverable resources have increased from 184 to 323 MMboe, which is a 75 percent increase. During 2015, two new infill wells were drilled and brought into production, and during 2016 a further three new wells are planned to be drilled and brought into production in the Boa and Viper/Kobra segments of the Greater Alvheim area. The Alvheim partners also entered into a new rig contract commencing in late 2016 to facilitate further infill drilling and near-field exploration.

Volund

The Volund field achieved average net production of 4,900 boepd during 2015. The Volund field has also performed above expectations since production commenced in 2010, with gross ultimate recoverable reserves increasing every year. Since production start-up, the gross ultimate recoverable reserves have increased from 50 to 84 MMboe. Two further infill wells on Volund are planned to be drilled over the coming years.

Bøyla

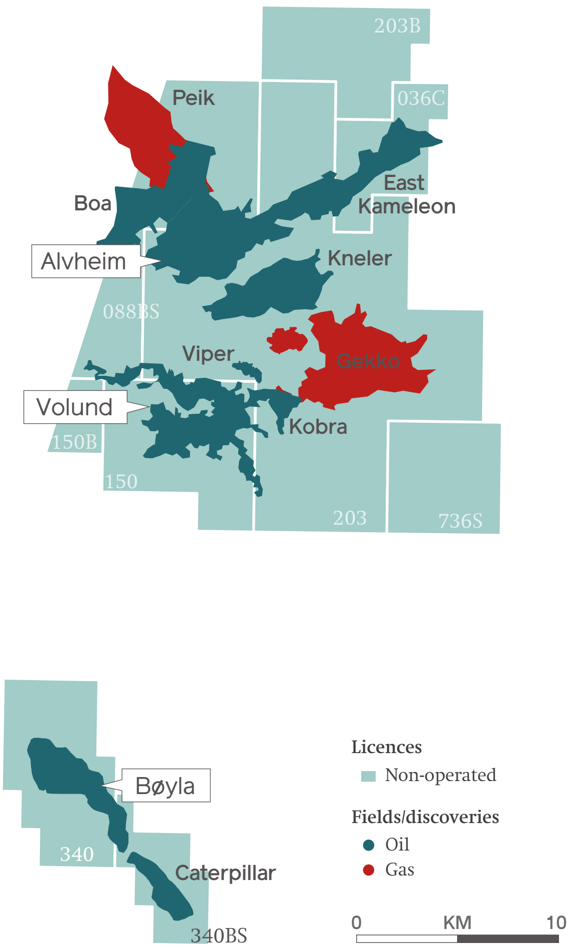
The Bøyla field achieved average net production of 2,100 boepd during 2015. The Bøyla field commenced production in January 2015 and has been developed as a 28 km subsea tie-back to the Alvheim FPSO with two production wells and one water injection well. The field achieved plateau production in the second half of 2015, following the start-up of the second production well and water injection.

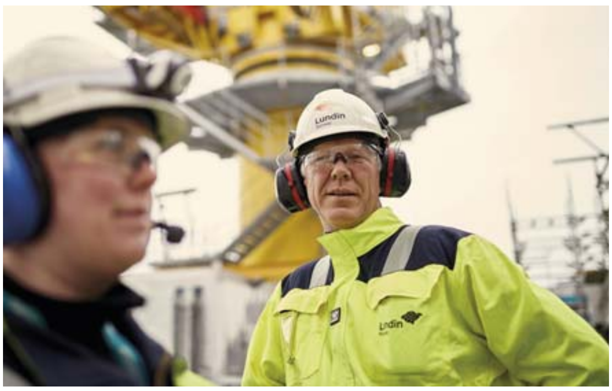
Other areas

Brynhild

The Brynhild field achieved average net production of 4,200 boepd during 2015. The Brynhild field commenced production late in 2014 and is developed as a subsea tie-back to the Pierce field in the United Kingdom with Brynhild and Pierce production being received by the Haewene Brim FPSO, owned by Bluewater and operated by Shell.

Greater Alvheim area map





"First oil from Edvard Grieg is a very proud moment for us all. The project execution capabilities proven by this delivery, coupled with the ingenuity of our exploration team, provide a hugely exciting platform for further growth in Norway

Kristin Færøvik
Managing Director,
Lundin Norway

The landmark Edvard Grieg project was completed safely, on time and on budget

Production from Edvard Grieg started in November 2015 and marks the beginning of a transformational increase in Lundin Petroleum's production and cash flow generation.

The Edvard Grieg field is located on the Utsira High in the North Sea and is estimated to contain gross reserves of 207 MMboe, with reserves having increased by approximately 20 MMboe in relation to the successful 2014 and 2015 appraisal of back-basins in the southeastern part of the field. The initial start-up of the Edvard Grieg field has achieved better facilities uptime and better well production capacity than expected. The first three production wells have achieved total production in excess of 90,000 boepd and the facilities have achieved an uptime in excess of 95 percent since production start-up. Gross plateau production of 100,000 boepd is expected to be achieved during the second half of 2016.

The Edvard Grieg field has been developed with a steel jacket platform resting on the seabed. The topsides weigh about 22,500 tonnes and include processing and utility modules and living quarters. Most of the construction work took place in Norway, with Kværner as main contractor and several Norwegian and foreign subcontractors. The engineering was conducted by Aker Solutions, the living quarters were delivered by Apply Leirvik, while the jacket was constructed at the Kværner Verdal yard. The platform deck was built at the Kværner Stord yard and at Aker Solutions in Egersund. Statoil has been responsible for the construction and installation of the export pipelines.

"Choosing Norwegian contractors gave us an extra element of confidence," says Bjørn Sund, Director of Field Development for Lundin Norway. "Kværner and its subcontractors have extensive experience of developments on the Norwegian shelf. This minimised the risk of delays and quality issues on the project, allowing Lundin Norway to manage the project with a relatively small project organisation," says Sund.

Edvard Grieg is designed as a field centre and will receive oil and gas from neighbouring fields and future developments for processing. Crude oil will be transported via the Grane pipeline to the Sture terminal in Øygarden in Hordaland, while gas will be transported via a separate pipeline system to St. Fergus in Scotland.

Edvard Grieg officially opened

Start-up of the Edvard Grieg field was officially celebrated in February 2016 with the Minister of Petroleum and Energy, Tord Lien, visiting the platform offshore.

The field and platform is expected to generate considerable revenue for the Norwegian state, of at least NOK 20 billion, over the next 20 years and beyond. But even more important is the significance the discovery had for understanding the geology and oil systems on the Utsira High. Without Edvard Grieg, the giant Johan Sverdrup discovery would probably not have been found.

Malaysia

The Bertam project was completed in 18 months from Field Development Plan approval to first oil – an outstanding performance in terms of project execution

Malaysia Key Data	2015	2014
Reserves (MMboe)	**11**	14
Contingent resources (MMboe)	**61**	72
Average production per day (Mboepd), net	**5**	–
Net turnover (MUSD)	**71**	–
Sales price achieved (USD/boe)	**49**	–
Cost of operations (USD/boe)	**24**	–
Operational cash flow contribution (USD/boe)	**16**	–

Peninsular Malaysia	Sabah
• Bertam field on Block PM307 (WI 75%) – Net reserves 11 MMboe – First oil in April 2015 – Bertam A15 development well in 2016 • Tembakau gas discovery on Block PM307 (WI 75%) in 2012, appraised in 2014	• SB303 (WI 55%) 4 existing gas discoveries on Block – possible gas cluster development • SB307/308 (WI 65%)

Malaysia

Since entering Malaysia in 2008, Lundin Petroleum has pursued an organic growth driven strategy which so far has yielded 13 MMboe of net reserves and a further 61 MMboe of net contingent resources. Lundin Petroleum holds the second largest acreage position offshore Malaysia with 28,000 km^2 in four Production Sharing Contracts (PSCs) offshore Peninsular Malaysia and two PSCs in Sabah, offshore East Malaysia.

Peninsular Malaysia

Lundin Petroleum's business in Malaysia reached a milestone in 2015 with the start-up of the Bertam oil field, offshore Peninsular Malaysia. The Bertam field on Block PM307 was successfully appraised in 2012 and the Field Development Plan was submitted and approved in late 2013. A remarkably efficient execution of the development plan allowed the field to commence production in April 2015. The Bertam development consists of an unmanned wellhead platform and 12 development wells producing to the Bertam FPSO.

In 2015, the Bertam-3 appraisal well was drilled identifying an eastern extension to the Bertam field. A development well is currently drilling in this extension of the reservoir and will be put into production in the second quarter of 2016. Further infill drilling opportunities have been identified and the economic viability of these opportunities is currently being assessed and could potentially lead to further development wells being drilled in the future.

Since the Bertam FPSO started receiving oil from the Bertam field in April 2015, it has achieved an excellent operational uptime of 98 percent.

In early 2016, Lundin Petroleum announced the sale of its 100 percent owned Bertam FPSO to M3nergy for USD 265 million with an effective date of 1 January 2016, subject to M3nergy securing financing.

The Tembakau gas discovery on Block PM307 is estimated to hold gross 231 billion cubic feet (bcf) of contingent resources and studies are ongoing with respect to commercialising this discovery.

During 2015, Lundin Petroleum entered into a farm-out agreement with Dyas whereby Lundin Petroleum has transferred a 15 percent working interest in Block PM328, with Lundin Petroleum retaining a 35 percent working interest post farm-out.

Sabah

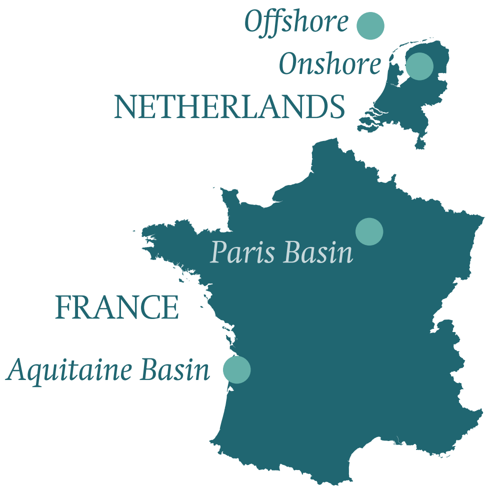
Lundin Petroleum has made three gas discoveries offshore Sabah with the Tarap, Cempulut and Berangan gas discoveries on Block SB303. Collectively these discoveries, together with the existing Titik Tarang discovery, contain gross contingent gas resources of 347 bcf and commercialisation studies of these discoveries are ongoing.

During late 2015 and early 2016, Lundin Petroleum drilled three independent exploration prospects on Block SB307/308. Both the Imbok and Bambazon exploration wells encountered oil bearing reservoirs but not in commercial volumes. The Maligan exploration well encountered gas shows but not in commercial volumes.

Ahead of the three well exploration drilling programme, Lundin Petroleum entered into a farm-out agreement with Dyas whereby Lundin Petroleum transferred a 20 percent working interest in Block SB307/308 and in Block SB303 in return for Dyas paying certain costs related to the exploration wells.

Continental Europe

Lundin Petroleum continues to extend the life of its mature assets in France and the Netherlands, providing steady production and cash flow while at the same time requiring limited capital investment



France and the Netherlands

Lundin Petroleum continues to extend the life of its mature assets in France and the Netherlands. The nature of these assets provides for low decline, stable and predictable production with strong leverage to oil and gas prices through low taxes.

The French assets consist of mature onshore oil producing fields in the Paris Basin, operated by Lundin Petroleum, and mature onshore oil producing fields in the Aquitaine Basin, operated by Vermilion. The assets in the Netherlands consist of mature onshore and offshore gas producing fields, operated by Vermilion, Engie, Oranje-Nassau Energie and Total.

The assets in France and the Netherlands were acquired through a corporate acquisition of Coparex in 2002. The combined net reserves at the time of acquisition was around 32 MMboe and the net cumulative production from the date of acquisition up to the end of 2015 was 28 MMboe. The remaining net reserves at the end of 2015 were 19 MMboe, demonstrating that around 54 percent of the produced volume has been replaced with reserves through a proactive infill drilling and reservoir management strategy.

In 2014, Lundin Petroleum successfully completed the Grandville re-development in the Paris Basin and commenced infill drilling on the Vert La Gravelle re-development with two wells completed in 2015. The remaining five infill wells have been postponed until the oil price has recovered.

The gas production in the Netherlands during 2015 was better than expected due to good production performance from the Slootdorp onshore field. During 2016, two offshore development wells and two onshore exploration wells are planned.

France Key Data	2015	2014
Reserves (MMboe)	**19**	21
Contingent resources (MMboe)	**13**	13
Average production per day (Mboepd), net	**3**	3
Net turnover (MUSD)	**52**	98
Sales price achieved (USD/boe)	**52**	94
Cost of operations (USD/boe)	**21**	26
Operational cash flow contribution (USD/boe)	**27**	51

Netherlands Key Data	2015	2014
Reserves (MMboe)	**2**	3
Average production per day (Mboepd), net	**2**	2
Net turnover (MUSD)	**26**	37
Sales price achieved (USD/boe)	**39**	51
Cost of operations (USD/boe)	**15**	20
Operational cash flow contribution (USD/boe)	**20**	26

Managing risk

Lundin Petroleum places risk responsibility at all levels to continually identify, understand and manage threats and opportunities within our business

The objective of risk management is to identify, understand and manage threats and opportunities within the business on a continual basis. This objective is achieved by creating a mandate and commitment to risk management at all levels of the business. This approach actively addresses risk as an integral and continual part of the control activities and decision making within Lundin Petroleum.

Risk identification

Risk identification and assessment is based on the achievement of business objectives. A proper risk assessment forms a basis for highlighting which risks should be prioritised by local and Group management.

As part of the risk identification and assessment process in each area of operations, Lundin Petroleum reviews and analyses the risks that affect the business. The risks are assessed on a quarterly basis, through a standardised methodology based on likelihood and impact.

After identifying risk, local management considers possible changes in the internal and external control environment to better achieve the business objectives. The process identifies the significance of risks and opportunities and determines actions when needed.

Risk management

Risk management creates value by enabling management to deal effectively with potential events that create uncertainty. Risk management is a process driven by the Company's Board of Directors and designed to identify potential events that may affect Lundin Petroleum. Through developing knowledge and competence internally to face the challenges of the business environment, proactive risk management is encouraged and maintained.

Risk management may involve acceptance, avoidance, or transferring the impact and management of the risk to a third-party by for example purchasing insurance or having risk transferred by contract.

Even though the Company has a robust process, the oil and gas industry has numerous operational and financial risks, which even the combination of experience, knowledge and careful evaluation may not be fully able to eliminate or which are beyond the Company's control.

Lundin Petroleum has identified the following high inherent risks relative to the Company's performance, strategic, operational, financial and external risks which are presented in the following section, but other risks may also exist or arise. The impact of risks within any one of these segments can influence the reputation of the Company. Today's business landscape is dynamic, fluid and often characterised by rapid change, regional differences and cultural contrasts that lead to significant business risks.

Strategic Risk

Risk Area	Description	Response
Creating Shareholder Value	The risk that Lundin Petroleum's strategy will fall short of creating shareholder value which could affect the market position of the Company.	Throughout all stages of the business cycle, Lundin Petroleum seeks to generate shareholder value by proactively investing in exploration to organically grow the reserve base, exploiting the existing asset base and acquiring new or disposing of reserves. Lundin Petroleum's business model clearly defines the vision and strategy of the Company.
Economic Value of the Asset Portfolio	Ineffective management may lead to a failure to understand and unlock the full value of an asset which could negatively impact shareholder value.	Lundin Petroleum continually reviews the economic value of the asset portfolio in order to ensure that the value of each asset within the existing portfolio is well understood, communicated and fully reflected within the share price.
Ineffective Communication	A strategy that is ineffective and inefficiently communicated or executed may lead to not only a loss of investor confidence and a reduction in the share price, but also affect employee and partner confidence in the Company.	Lundin Petroleum has strong communication channels coupled with effective leadership, in order to maintain creativity and an entrepreneurial spirit. This ensures that the entire organisation works towards the same goal.

Operational Risk

Risk Area	Description	Response
Major Operational Incidents	The risk that major operational incidents can occur. Oil and gas operations will never be completely risk free and the potential for incidents, although reduced, will remain.	Lundin Petroleum has management systems in place to avoid major operational incidents. The Company promotes active management of Health, Safety and Environmental (HSE) issues throughout the Company. Safety is a priority for Lundin Petroleum and our contractors, suppliers and partners. For more information, see Responsible Transformation on pages 38—49.
Asset Integrity	The risk that physical assets are unreliable, leading to liability or loss exposure.	Diligent operations management and effective maintenance planning is in place to ensure that the assets remain reliable. This coupled with having new assets, good technical integrity and a focus on safety and regulatory compliance mitigates this risk.
Asset Management and Cost Control	Development projects and production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect revenue and cash flow levels to varying degrees.	Effective procurement and cost control management processes are essential in ensuring that reasonable cost levels are achieved relative to business plans. All development projects must pass through the Lundin Petroleum value process that requires approval from the Investment Committee, and from the Board for significant investment decisions. In addition, government organisations, partners and third party groups provide independent oversight. As an example, Lundin Norway is governed by detailed guidelines published by the Norwegian Petroleum Directorate.
The Ability to Increase Reserves	The ability to increase reserves will depend not only on the award of new permits and being able to successfully explore and develop the Company's present portfolio of opportunities, but also on the ability to analyse subsurface data, select and acquire suitable producing assets or prospects.	The use of effective peer review for subsurface analysis and well site selection together with a well-defined corporate strategy for recruitment and retention of talented personnel mitigates the risk.
Decommissioning	Decommissioning, abandonment and removal of obsolete oil and gas installations, oil rigs, or oil and gas platforms remains an industry risk with environmental and regulatory challenges to manage.	Lundin Petroleum considers the risk of decommissioning within the life-cycle process. Major business and technical assumptions underlying estimates are reviewed for each development project. Decommissioning liabilities and specific requirements are addressed by each country and coordinated by Group management.

Financial Risk

Risk Area	Description	Response
Financial Reporting	Material misstatements in financial data could lead to regulatory action, legal liability, and loss of shareholder confidence damaging the Company's reputation.	Lundin Petroleum has a formal monthly management reporting process. In addition, the internal control system for financial reporting operates to provide reasonable but not absolute assurance against material misstatement or loss. Internal Audit provides verification in the risk monitoring process.
Reserves and Resource Calculations	Estimates of economically recoverable oil and gas reserves and the future net cash flows of the reservoir performance are based upon a number of variable factors and assumptions. This is also viewed as an operational risk.	Reserves and resource calculations undergo a comprehensive internal peer review process and adhere to industry standards. All reserves are independently audited as part of the annual reserves audit process. For more information, see Production, Reserves and Resources on pages 18–21.
Investment Oversight	The risk that investments or expenditures are not in line with approvals from the Lundin Petroleum Investment Committee.	To mitigate the risk of investment oversight, Lundin Petroleum, through the annual budget and supplementary budget approval process and its Authorisation Policy, has implemented a rigorous continual process of oversight of all expenditures. This process ensures that expenditures are in line with approvals from the Investment Committee.
Financing	The conditions of debt financing can be affected by global growth decline in the energy market.	There is an active and continuous process of monitoring of liquidity and financing arrangements in place. The net debt position of Lundin Petroleum is reported on a regular basis. The financing provides the necessary flexibility to fund the ongoing development, exploration and appraisal programmes, including the Johan Sverdrup development.
Fraud, Bribery and Corruption	The risk of fraud, bribery and corruption, if ignored, can slowly drain a company's assets or severely impact short- and long-term growth plans.	A consistent application of Lundin Petroleum's Code of Conduct, together with its Anti-Corruption policy, Anti-Fraud policy, Authorisation Policy and procedures clearly define responsibility within the internal control environment and minimises the risk.

Risk monitoring

Risk monitoring is an important part of the continous risk management process. It involves:

- Identifying new risks
- Regular reporting
- Reviewing risks which may be reduced or eliminated
- Maintaining ongoing awareness of an organisation's risk environment, risk management programme, and associated activities to support risk decisions
- Reviewing incidents to ensure that adequate insurance coverage is in place

In addition, Lundin Petroleum follows a "Three lines of defence" approach, which helps bring a systematic and disciplined approach to improve the effectiveness of risk management and the internal control processes. This is further defined in the Internal Control and Audit section on pages 68–69.

External Risk

Risk Area	Description	Response
Market Oil Price	The price of oil and gas are affected by global growth and the economic drivers of supply and demand. The market uncertainty in the oil and gas price may affect the financial strength of the Company.	Lundin Petroleum's policy is to adopt a flexible and proactive approach towards oil price hedging based on an assessment of the benefits of hedge contracts in specific circumstances.
Changes to Laws and Regulations	Lundin Petroleum has oil and gas operations in various countries. Changes to laws and regulations within these countries may lead to negative consequences such as, but not limited to, the expropriation of property, cancellation of or modification of contract rights, and uncertainty in taxation.	Lundin Petroleum reviews its portfolio of assets in relation to its financial performance on a regular basis. The Company strives to ensure comprehensive interpretation and compliance with regulations that may impact the business.
Interest and Currency	The uncertainty in future interest rates and currency risk could have an impact on the Company's earnings.	The Company's exposure to interest rate and currency risk is continuously assessed and monitored. Lundin Petroleum uses hedging instruments to manage this risk.
Information Security	The increased vulnerability of information to cyber threats or malware attacks enhances the risk to system security potentially affecting people's privacy as well as the critical systems related to the assets.	The Company's networks need to be constantly monitored to avoid and swiftly remedy any external attacks. Through information system control mechanisms such as firewalls and procedures, Lundin Petroleum manages this risk to maintain a unified and resilient internal network.
Corporate Responsibility	Outside of the control of Lundin Petroleum, some stakeholders may directly or indirectly impact production activities through lobbying efforts.	The Company's aim is to explore for and produce oil and gas in an economically, socially and environmentally responsible way, for the benefit of all its stakeholders, including shareholders, employees, business partners, host and home governments and local communities. Lundin Petroleum is a participant in the UN Global Compact to further confirm the Company's commitment to ethical business practices.
Climate Change	There is a potential exposure from climate change, including stricter regulation on emissions or imposition of mandatory technology in the areas where Lundin Petroleum operates.	In the face of technological and regulatory requirements stemming from climate change, Lundin Petroleum reviews its environmental requirements and emission reduction measures in development projects and discloses its operational greenhouse gas emissions.
Weather Conditions	The risk of incidences from natural hazards such as weather could affect the operations.	Weather patterns are reviewed by Lundin Petroleum's operations and resilience to such exposure is considered in rig choices.

More information on Internal Control and Audit can be found on pages 68–69

A shared responsibility

Responsible operations require everyone's involvement. I am pleased to report that in the past year we had a significant level of engagement towards responsible business conduct by our Board, management and staff.

Key events 2015

At the beginning of 2015, we decided to consult with internal and external stakeholders in order to determine which issues they considered material for Lundin Petroleum from a sustainability perspective. This enabled us to refine priority areas for our work and was an important step towards publishing our first Sustainability Report in accordance with the Global Reporting Initiative (GRI G4). The first sustainability report in accordance with the guidelines will be published in 2016.

We also developed a Contractor Declaration whereby contractors agree to work in accordance with internationally accepted norms in relation to responsible business conduct. The declaration aims to take Lundin Petroleum's commitment to responsibility a step further in the value chain.

A particularly exciting event during 2015 was the launch of our e-learning course on Corporate Responsibility (CR) that was rolled out to the Group. I am truly pleased with the positive and constructive feedback that we received, demonstrating the high level of enthusiasm and commitment across the Group and providing useful guidance to improve our work further.

2015 was also marked by an increased interest on the issue of climate change arising from the Paris Climate Conference held in December. Lundin Petroleum recognises that climate change represents a global challenge that has an effect on the way we do business, now and in the future, and that we have to address the potential impacts and risks this issue presents to our activities. We believe that oil and gas will remain an important part of the global energy mix required to meet the world's energy demand for decades to come and we are committed to provide society with energy that is being developed in a responsible way.

Looking ahead

Our vision is to contribute to a low-carbon energy future by making sure to develop natural resources in the most efficient and sustainable way possible. The sustainability agenda in the coming years will also be shaped by the Sustainable Development Goals adopted in 2015 by the United Nations, and as a participating company to the United Nations Global Compact we will strive to contribute to their achievement.

While our priority will remain to put the health and safety of our people first and to protect the environment where we operate, we will continue to track emerging sustainability issues, listen to society's expectations and engage with our stakeholders in order to create long-term sustainable value for our shareholders as well as society as a whole.

"Our vision is to provide society with energy that is being developed in a responsible and efficient way

Christine Batruch
Vice President
Corporate Responsibility

Performance 2015

Health and Safety	No serious incidents
Environment	No recordable oil spills
Contractor Management	Implementation of Contractor Declaration
Sustainability Reporting	Introduction of GRI G4 reporting

Goals 2016

Health and Safety	Improve Group performance
Environment	Minimise impact
Stakeholder Engagement	Engage in constructive dialogue
Climate change	Focus on energy efficiency

Lundin Petroleum launched its first e-learning course on Corporate Responsibility

The aim of this tailor made course is to raise awareness and understanding of CR issues, emphasising that ethical conduct is required of everyone at Lundin Petroleum and increasing staff's ability to relate issues to their own role and responsibilities.

The course covers the main elements of Lundin Petroleum's CR framework:

- Code of Conduct
- Health, Safety & Environment
- Anti-Corruption
- Human Rights
- Stakeholder Relations
- Whistleblowing

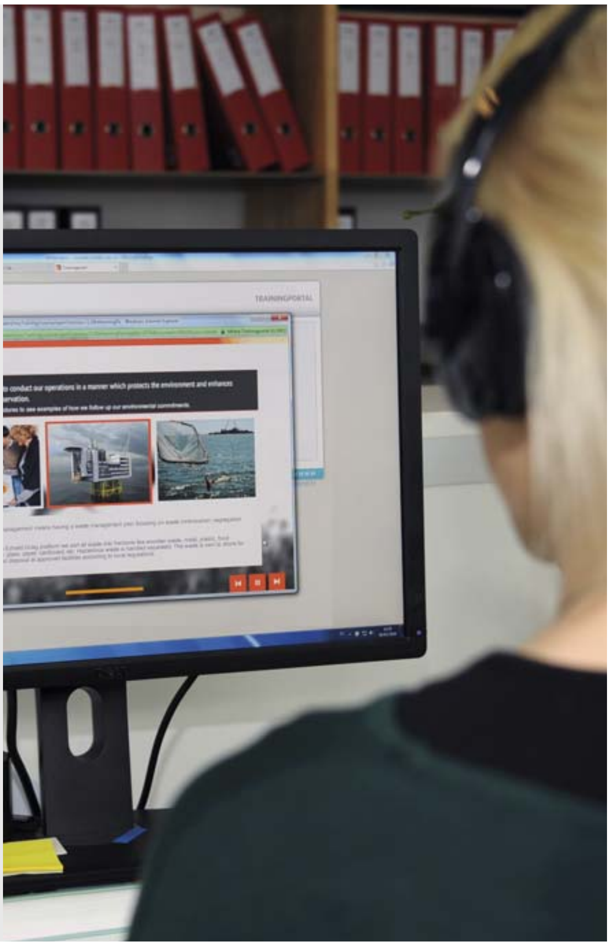
Comments from participants:

"I was impressed by the e-learning course. It was an excellent reminder that whilst we have all read and understood our corporate policies, Code of Conduct and company ethos, we may not all know them as well as we think…there was a lot of enthusiasm and discussion generated as a result of the subjects and questions raised."

Employee in the Netherlands

"This is an excellent way to ensure that employees are informed about the content of our CR policies."

Employee in Malaysia



Simulation training centre in Norway

First oil from the Edvard Grieg field was achieved in November 2015 but at Lundin Norway's head office in Lysaker, located just outside Oslo, preparations for the production start-up commenced long before. A simulation training centre, which is an exact copy of the control room at the Edvard Grieg platform, was created in order to prepare the staff for offshore activities.

"The chairs are a bit different and we have no sea view from the window but otherwise everything is identical. It allows us to test various scenarios and fully trained people can then immediately start to perform the same tasks on the platform."

Geir Sjøsåsen
Operations Manager, Lundin Norway

Our People

Our people are our most important asset

2015 was a transformational year for Lundin Petroleum in terms of changes to its management and organisation. Alex Schneiter was appointed new CEO in October 2015, new members joined the senior management teams at both corporate and country levels, a new office headquarter in Norway was inaugurated and offshore operations teams were established on the Bertam field in Malaysia and on the Edvard Grieg platform in the Norwegian North Sea.

A key resource

The oil and gas industry is experiencing challenging times due to the volatile macroeconomic environment and low oil prices, which has led to a reduction in investments and created significant uncertainty in our sector. In this context, Lundin Petroleum believes in continuing to attract and maintain a talented and innovative work force that makes sure we deliver our business objectives. We have been very successful over the years in attracting and retaining the best possible talent in the industry, thanks to our dynamic and entrepreneurial working environment and our focus on high-performance. As the business continues to grow it is this base of world class employees that will help drive our transformational growth to the next level.

At the end of 2015, Lundin Petroleum had a total of 589 employees directly employed by the Group in eight different countries. The majority of the work force is located in Norway representing 57 percent of the total workforce, followed by Malaysia with 21 percent.

Lundin Petroleum also employs a large number of contractors and consultants which gives the Company the flexibility to swiftly adapt manpower resources to match activity levels. In 2015, a total of 128 contractors and consultants were hired for services relating to exploration, development and other operational activities. Lundin Petroleum applies the same high standards of professional conduct towards its contractors as it does towards its employees, which is reflected in the tracking of Key Performance Indicators for health and safety. Starting in 2015, a Contractor Declaration has also been included in all new contracts awarded by the Company.

"Lundin Petroleum is indeed very well positioned as we are now entering a new phase of significant growth led by a great team of people

Alex Schneiter
President and CEO

589
employees

24
different nationalities

29%
female representation

Gender Analysis 2015

Employees	Female	29%
	Male	71%
Managers	Female	20%
	Male	80%
Board of Directors	Female	38%
	Male	62%

Diversity in the workforce

Lundin Petroleum values an open and inclusive working environment and strives to maintain a competent and experienced workforce. We recruit based on qualifications and irrespective of gender, ethnicity, religion or disability.

Wherever we operate we strive to employ locally so that we can benefit from the local knowledge and experience while contributing to enhanced expertise within the host country. Our employees are provided with the necessary skills, knowledge and motivation for them to be successful in their work, which is proven by the Company's strong results and low levels of employee turnover compared to industry norms.

In 2015, a total of 24 different nationalities were employed throughout Lundin Petroleum's global operations.
The proportion of female employees in the total work force was 29 percent and in managerial positions the equivalent number was 20 percent. In 2015, the proportion of women in the Board of Directors was 38 percent.

Grievance mechanisms

Lundin Petroleum has a Whistleblowing Policy and Procedure in place that states the actions and steps an employee or a contractor should take in case of witnessing any behaviour that violates the Company's CR commitments or applicable law. In addition, Lundin Petroleum's Human Rights Guidelines provide for the establishment of a remediation mechanism in the event of a claim. In 2015, there were no reported incidents of discrimination and no use was made of the internal grievance mechanism.

Health and Safety

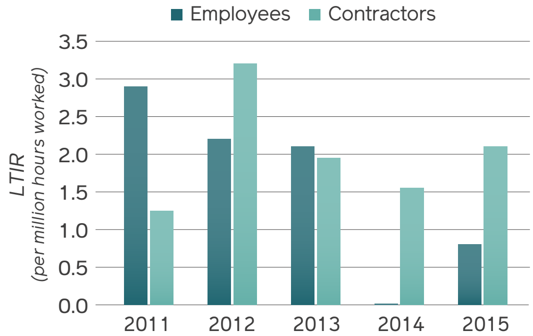
Safe work environment

For Lundin Petroleum, health and safety come first. As an oil and gas company we operate in an industry exposed to safety risks and accidents can potentially occur anywhere and at any time. In this context it is our responsibility to provide our staff and contractors with safe and healthy working conditions and we do so by identifying and mitigating potential risks. Specific policies, procedures, guidelines and processes have been put in place to ensure that this responsibility is being met and that risks are minimised.

In 2015, the Lost Time Incident Rate (LTIR) for Lundin Petroleum's employees and contractors was 1.76 per million hours worked and the Total Recordable Incident Rate (TRIR) was 3.71 per million hours worked. Examples of incidents recorded over the year include a twisted ankle, a finger injury and debris in the eyes which required medical treatment.

The operational environment from a health and safety perspective changed significantly in 2015 with the delivery of two major development projects and the start-up of production from the Bertam and Edvard Grieg fields. Lundin Petroleum has transformed into a fully-fledged production company and considering this transformation the safety performance for 2015 was remarkable as no serious incidents occurred. Lundin Petroleum will use 2015 as a benchmark year against which future health and safety performance will be tracked.

Lost Time Incident Rate



Finding common solutions to ensure high level of safety and emergency response

Lundin Norway has joined other oil companies in a collaborative venture to find common solutions to safe exploration in the southern Barents Sea.

Through the Barents Sea Exploration Collaboration project (BaSEC), leading oil companies aim to overcome potential challenges posed by exploring the southern Barents Sea. BaSEC was originally established by Lundin Norway, Statoil, Eni Norge, OMV and GDF Suez and has expanded to a total of 16 participating companies.

Launched in 2015, the project focuses on increased coordination and cost-effective solutions to ensure high levels of safety and emergency response. In-house experts from the participating companies have formed working groups concentrated on five main topics: environment and oil spill response, logistics and emergency preparedness, mobile drilling units, health and working environment, metocean and ice. As one of the founding members, Lundin Norway has been an integral part of all working groups.

HSE indicator data can be found on page 129

Focus on prevention

The purpose of Lundin Petroleum's HSE management system (the Green Book) is to prevent accidents or incidents which could have an impact on people, the environment, the Company's assets or its reputation. In addition to policies, procedures, guidelines and personal protective equipment, Lundin Petroleum provides its staff with the necessary resources, training, advice and guidance to enable them to conduct their work in the safest possible manner. We believe in the sound judgment and capability of our employees and encourage them to share experiences, lessons learned and best practice.

Lundin Petroleum tests and reviews its emergency preparedness in operations on an ongoing basis, through regular emergency response exercises. Internal audits for health, safety and the environment (HSE) are also conducted in order to identify and mitigate potential safety issues and ensure that sound HSE practices are in place.

Contractor management

Safety is a joint responsibility and Lundin Petroleum expects the same high level of commitment from its contractors, suppliers and partners. We enter into agreements with our contractors that contain clauses on their obligation to abide by the principles of Lundin Petroleum's Code of Conduct, HSE management system as well as internationally recognised rules and standards on anti-corruption, labour standards and human rights.

In 2015, Lundin Petroleum developed a formal Contractor Declaration which was issued to its countries of operations. The declaration sets out Lundin Petroleum's expectations in relation to the way contractors carry out their activities and by including the declaration in all new awarded contracts, it ensures that contractors are aware of their obligations. The declaration is part of Lundin Petroleum's due diligence process and is also being used in the bidding process.

Lundin Petroleums engagement with contractors also extends to holding forums dedicated to highlighting the importance of HSE performance. For instance, more than 90 contractors attended a safety forum in France, during which Lundin Petroleum's HSE team discussed safety and environmental requirements and performed risk analyses of contractors' tasks to ensure high awareness of safety requirements for their assigned work.

Environment

Minimising environmental impact in all stages of operations

Lundin Petroleum is committed to respecting and preserving the common natural environment. We are active in an industry that is exposed to various natural settings, from onshore sites to offshore fields, each with different natural characteristics and sensitivities. Our activities take place in varying water depths, from a few metres to several hundred metres, with wells extending a thousand metres or more under the surface. As such we work closely with the natural elements and see it as a priority to minimise the impact of oil and gas activities on our surrounding natural environment.

Environmental assessments

Environmental safety starts with prevention, which is made possible by a good understanding of the particular environmental context we operate in. Before any exploration, development or production activities are undertaken, we perform or use existing environmental baseline or impact studies to determine the potential effects of our activities on the environment. The scope of these studies depends on the nature of the planned activities and existing knowledge of the area and can include literature studies, visual monitoring and sediment and water sampling. Following the results, measures may be taken to minimise environmental impact, for example by drilling a deviated well, changing the anchor pattern of the rig or bringing drill cuttings to shore. Lundin Petroleum only commences drilling activities after an environmental permit is obtained from national authorities.

Oil spill prevention

Lundin Petroleum has a robust system in place to ensure that risks are properly assessed and that competence and capacity exist to prevent and, if need be, to manage oil spills.

Elements of the system include oil spill contingency plans and training of staff to prevent and remediate spills. Every country of operations has arrangements with national oil spill response organisations in order to receive their assistance in the event of a spill. As an additional precautionary measure, Lundin Petroleum has a contract with Oil Spill Response (OSRL), the world's largest oil spill preparedness and response organisation, which ensures an effective response wherever in the world an oil spill may occur. In 2015, Lundin Petroleum's operations did not result in any recordable oil spill.

Protecting biodiversity

The preservation of biological diversity is an integral part of Lundin Petroleum's commitment to protect the environment. Potential biodiversity impact is continuously assessed in baseline and impact studies and sensitive areas that are located in the proximity of our operations (sites covered by national laws or international treaties such as the IUCN Protected Areas Categories System and the Ramsar Convention) have been mapped to make sure that such areas are not negatively impacted by the Company's activities.

Supporting conservation projects

Some of the richest biodiverse areas in the world are located in South East Asia, for example the Coral triangle that has the most biodiverse marine ecosystems in the world with close to 40 percent of the world's reef fish and 76 percent of the world's known coral species. This rich and unique biodiversity is however coming under increasing threat due to overfishing and unsustainable fishing practices.

Through its partnership with the Lundin Foundation, Lundin Petroleum contributes to various biodiversity conservation projects in South East Asia that aim to reverse this trend. One example is RARE Conservation's Fish Forever pilot programme, which uses a comprehensive approach to help nearshore fishing communities adopt sustainable practices and establish fish recovery zones. These projects aim to protect marine ecosystems and enhance costal resilience to climate change, and they also make investments in SME's that are based on sustainable use of resources.

The Lundin Foundation was founded in 2005 by the Lundin family and is today a globally recognised leader in venture philanthropy. To date, Lundin Petroleum has contributed more than USD 3 million to projects run by the Foundation.

More information on the Lundin Foundation can be found on www.lundinfoundation.org

Climate Change

Lundin Petroleum recognises that climate change represents a global challenge that has an effect on the way we do business

Minimising our carbon footprint

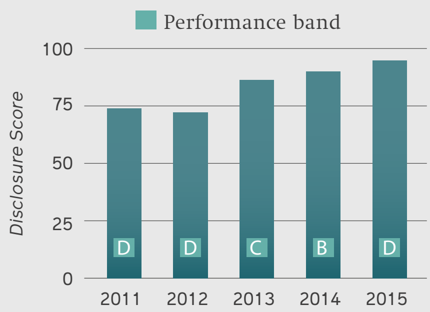
Our ambition is to continue expanding our existing asset base and to explore, develop and produce oil and gas resources in a carbon efficient way. To meet that objective, we have over the years developed systems and processes that increase energy efficiency and reduce greenhouse gas emissions throughout our global operations.

The majority of Lundin Petroleum's activities are located on the Norwegian Continental Shelf, an area in the world with the lowest carbon emissions in the industry over the past ten years. It also represents an area with high standards and costs for emissions. Our work to include climate change considerations in operational activities and in the selection of installation designs, products and equipment has therefore been a way of minimising both our carbon footprint and our costs.

Meeting the energy need of the future

Oil and gas provide nearly 60 percent of the world's energy supply and will continue to make up a large part of the demand for decades to come. The challenge that lies ahead will be to develop and produce these resources in the most energy efficient and environmentally responsible way.

In addition to operational measures, Lundin Petroleum monitors and actively participates in the debate on climate change and through engagement with environmental organisations and other stakeholders, we stay informed of the latest developments on international climate policy. As part of our risk management, we analyse upcoming climate policy measures and how they will affect the energy market and take this into account in our strategic planning to make sure that our asset base is robust and sustainable.



Lundin Petroleum's CDP ranking

Lundin Petroleum has been reporting on its climate change governance and emissions of greenhouse gases to the CDP (Carbon Disclosure Project) since 2008.

In 2015, Lundin Petroleum obtained a score of 95 out of 100 on disclosure and achieved performance band D.

Low carbon innovations on Edvard Grieg and Johan Sverdrup

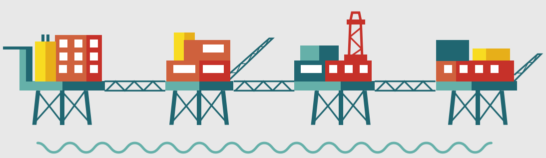
Major development projects, such as Edvard Grieg and Johan Sverdrup, demonstrate how innovative technical solutions can lead to increased energy efficiency and a significant reduction of greenhouse gas emissions.

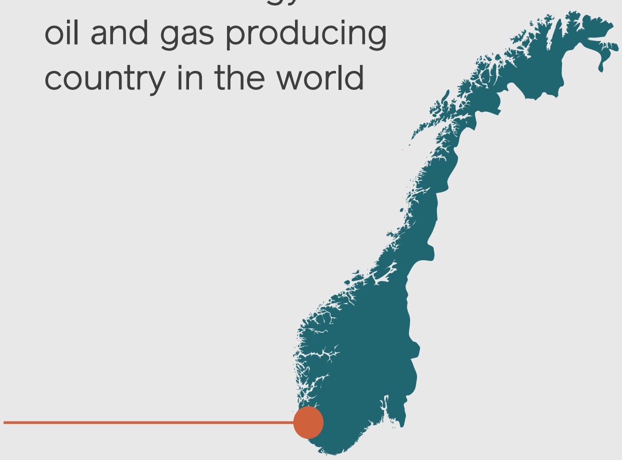
The Edvard Grieg platform, located west of Stavanger in the North Sea, has been constructed using the Best Available Technique principle (BAT) which was applied in the three most carbon emitting processes: flaring, power generation and energy management.

The nearby Johan Sverdrup field, which is scheduled to come onstream in late 2019, will receive power from shore from the start. As a result, offshore emissions from Johan Sverdrup are estimated to be reduced by 80 to 90 percent compared with a standard development.

80% of Lundin Petroleum's operations are located in Norway, the most energy efficient oil and gas producing country in the world

Over the lifetime of the Johan Sverdrup field, savings of **19** million tonnes of CO_2 are expected due to the power from shore solution





Stakeholder Engagement

Lundin Petroleum engages with a wide range of stakeholders to understand and respond to their expectations

Lundin Petroleum recognises the importance of understanding the context in which we operate. Expectations vary according to what we do and where our activities are located. Our engagement with stakeholders therefore depends on the nature of their interest, the relevance to our business and the most effective way to meet their specific needs and expectations.

Lundin Petroleum is committed to honest and open communications with people and organisations which are impacted by or impact our activities. Our ability to identify and address their expectations is the key to constructive and long-term relationships and to our ability to carry out our activities.

Stakeholder Engagement by Group

Shareholders
Shareholders are informed of Lundin Petroleum's strategy and ongoing activities through public disclosure in the form of financial reports, press releases, external presentations and through the Company website. Engagement with shareholders also takes place in individual or joint meetings and at the AGM.

Employees
Engagement with staff takes place on a daily basis throughout the Group. Corporate senior management visit country offices on a regular basis and hold individual meetings to discuss the Group's strategy and local implementation, and to track progress on all issues impacting the Company. The e-learning course on CR, launched in 2015, created an additional means of engagement by inviting employees to reflect, raise questions and share their feedback on issues raised in the course. The course triggered a number of discussions among the staff and management.

Business Partners
Engagement with business partners takes place at all operational stages. Meetings with contractors can be on an individual basis or at group meetings. In Malaysia for example, an HSE awareness forum was held with all of the contractors before the drilling programme began.

Host governments
Contact with host governments take place prior to the acquisition of a licence and the engagement continues at national and local levels throughout the lifetime of the licence period.

Local communities
Engagement with local communities takes place prior to and during operational stages, comprising informal discussions as well as formal meetings together with local authorities. For instance, in Norway dialogue was held with communities in new areas regarding exploration drilling planned offshore their coastline, in order to provide clarity and understanding of Lundin Petroleum's activities in the area.

International initiatives
Lundin Petroleum engages with a variety of organisations such as NGOs, international initiatives and industry groups in different forums to exchange views and best practice and to report on the Company's commitment to responsible business practice. Lundin Petroleum supports five initiatives that promote principles of corporate citizenship: the United Nations (UN) Global Compact, UN Guiding Principles on Business & Human Rights, UN Global Compact's Call to Action on Anti-Corruption, Extractive Industries Transparency Initiative (EITI) and the CDP.

Sustainability Reporting

Lundin Petroleum has reported on its CR performance since the Compnay's first annual report in 2001. In addition, reporting is made to international initiatives such as the UN Global Compact, the Extractive Industry Transparency Initiative (EITI) and CDP as well as to environmental, social and governance research organisations and the Company also responds to targeted requests coming from various sources.

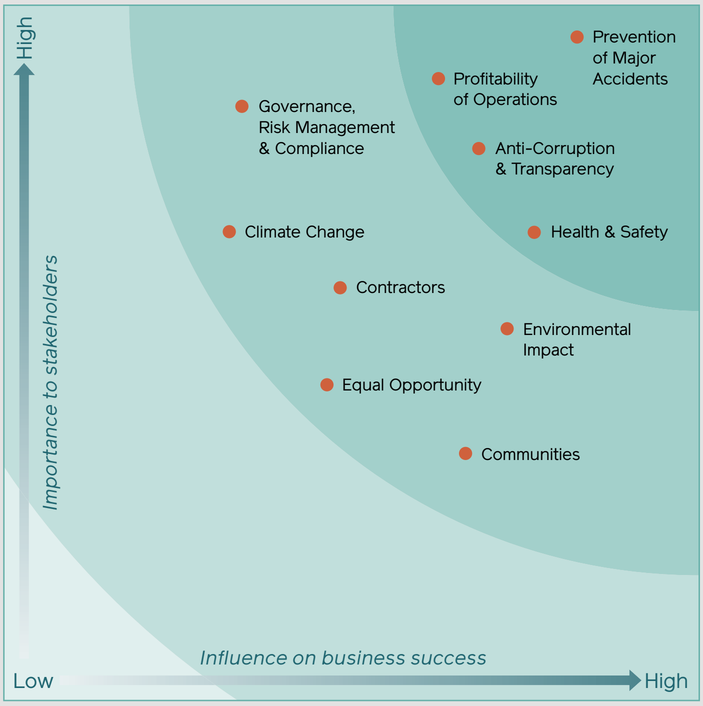
Focused reporting – GRI G4

Following increased stakeholder interest in Lundin Petroleum's sustainability performance and the development of a global and uniform sustainability reporting approach, Lundin Petroleum has decided to report in accordance with the Global Reporting Initiative (GRI) G4 Guidelines. The first sustainability report in accordance with the guidelines will be published in 2016.

The sustainability report focuses on issues that are determined as material to Lundin Petroleum and its stakeholders, as well as those deemed to be relevant in terms of potential risks and impact. Materiality varies from company to company and depends on the type of activities, geographical location and the sustainability context in which a company operates.

The reporting process

Lundin Petroleum started its GRI G4 reporting process by identifying environmental, social and governance topics relevant to its sustainability context. To determine which issues are most critical, given the type of activities, geographical presence and particular stakeholder interest, internal as well as external stakeholders were consulted via a survey. Each topic was ranked according to the relevance to the stakeholder, taking into account the issue's applicability to Lundin Petroleum or the industry sector. Once the survey data was collected and aggregated, it was presented to Group management during a workshop facilitated by a third party GRI expert. Group management validated the material issues and decided on the focus for future strategy and reporting.



Materiality matrix

The matrix is a graphical representation of issues relevant to business success (horizontal axis) and to stakeholders (vertical axis).

The matrix summarises the material issues by subject matter as identified by internal and external stakeholders and validated by Group management.

Corporate Governance

Lundin Petroleum reached major milestones in 2015 when first oil was achieved safely, on time and on budget from two of our operated fields, the Bertam field in Malaysia and the Edvard Grieg field in Norway. These are not just operational successes but also confirm that the corporate governance structure of Lundin Petroleum, and the practices that we apply throughout our organisation, are effective and contribute to generating sustainable long-term shareholder value. We remain convinced that good corporate governance practices are a requirement for any successful business and will continue to apply a solid corporate governance framework that mirrors Lundin Petroleum's current operations, vision and strategy.

Given the significant decline in oil prices that continued during the year, and the low oil price environment that we may face for some time, the Board placed great emphasis on monitoring the operations closely with a continued focus on ensuring access to sufficient liquidity to carry out our projects. The global economic and energy outlook were also discussed in detail with Group management at Board meetings to ensure Lundin Petroleum's activities remain on track despite the challenges that our industry is facing. To strengthen the Board's control function, a formal monthly operational report was further implemented summarising the exploration, appraisal, development and production activities of each month, and highlighting key HSE/CR and financial issues.

During the year, we also experienced several management changes and saw Ashley Heppenstall leave his position as CEO after thirteen successful years. I would like to thank Ashley for his commitment and outstanding performance and am pleased that he will continue to support the Company as a Board member. I would also like to wish our new CEO, Alex Schneiter, all the best in taking over the helm of Lundin Petroleum. As the Chairman of the Board, I look forward to supporting Alex in his role and working closely with him and Group management to ensure that the Board's work will continue to run smoothly and efficiently for the benefit of the Company and all stakeholders.

I would finally like extend my sincere thanks to all Board members, Group management and all our staff for their unquestionable professionalism and genuine dedication to Lundin Petroleum's corporate culture and commitment to operate in a responsible, transparent and sustainable manner. Although times are tough, I believe Lundin Petroleum will weather the storm thanks to all the great people that make the Company. Last but not least, I would like to thank all fellow shareholders for your continued support and trust.

“We remain convinced that good corporate governance practices are a requirement for any successful business and will continue to apply a solid corporate governance framework that mirrors Lundin Petroleum's current operations, vision and strategy

Ian H. Lundin
Chairman of the Board

Corporate Governance Report

This Corporate Governance Report has been prepared in accordance with the Swedish Companies Act (SFS 2005:551), the Annual Accounts Act (SFS 1995:1554) and the Code of Corporate Governance (Code of Governance) and has been subject to a review by the Company's statutory auditor. Lundin Petroleum reports one deviation from the Code of Governance in 2015 in respect of the composition of the Nomination Committee as further described in the schedule on page 54.

Highlights 2015

Grace Reksten Skaugen appointed as a new Board member at the AGM on 7 May 2015 — 37.5 percent of the current Board members are women.

Alex Schneiter appointed President and Chief Executive Officer and Nick Walker appointed Chief Operating Officer as per 1 October 2015.

Corporate Responsibility e-learning training course rolled out to all world-wide staff.

Ensuring adequacy of internal controls and best practice governance in light of declining oil prices.

Guiding principles of corporate governance

Lundin Petroleum is an independent Swedish oil and gas exploration and production company with a focus on two core areas, Norway and Malaysia, and with assets in France, the Netherlands and Russia as well. Lundin Petroleum maintains an efficient Group structure that currently consists of approximately 30 companies in eight jurisdictions. The ultimate parent company of the Group is the Swedish public limited liability company Lundin Petroleum AB (publ). Lundin Petroleum currently employs worldwide approximately 600 highly experienced oil and gas professionals representing 24 nationalities.

Lundin Petroleum maintains an exploration focus seeking to generate long-term value for all shareholders, as well as other stakeholders, and has, since its creation in 2001, been guided by general principles of corporate governance to:

- Protect shareholder rights
- Provide a safe and rewarding working environment to all employees
- Abide by applicable laws and best industry practice
- Carry out activities competently and sustainably
- Sustain the well-being of local communities in areas of operation

Lundin Petroleum adheres to principles of corporate governance found in both internal and external rules and regulations. As a Swedish public limited company listed on NASDAQ Stockholm, Lundin Petroleum is subject to the Swedish Companies Act and the Annual Accounts Act, as well as the Rule Book for Issuers of NASDAQ Stockholm, which can be found on www.nasdaqomxnordic.com. In addition, the Company abides by principles of corporate governance found in a number of internal and external documents.

Lundin Petroleum AB (publ), company registration number 556610-8055, has its corporate head office at Hovslagargatan 5, 111 48 Stockholm, Sweden and the registered seat of the Board of Directors is Stockholm, Sweden.

The Company's website is www.lundin-petroleum.com.

Swedish Code of Corporate 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, the Annual Accounts Act and other regulations such as the Rule Book for Issuers and good practice on the securities market. A revised Code of Governance applies as of 1 November 2015 and this Corporate Governance report has been prepared in accordance with the principles included therein. The Code of Governance can be found on www.bolagsstyrning.se.

The Code of Governance is based on the "comply or explain principle", which entails that a company may choose to apply another solution than the one provided by the Code of Governance if it finds an alternative solution more appropriate in a particular case. The company must however explain why it did not comply with the rule in question and describe the company's preferred solution, as well as the reasons for it. Lundin Petroleum complied with all the rules of the Code of Governance in 2015, other than in one instance as mentioned in the schedule on page 54 regarding the composition of the Nomination Committee. Furthermore, there were no infringements of applicable stock exchange rules during the year, nor any breaches of good practice on the securities market.

Main external rules and regulations for corporate governance at Lundin Petroleum

- Swedish Companies Act
- Swedish Annual Accounts Act
- NASDAQ Stockholm Rule Book for Issuers
- Swedish Code of Corporate Governance

Main internal rules and regulations for corporate governance at Lundin Petroleum

- The Articles of Association
- The Code of Conduct
- Policies, Procedures and Guidelines
- The HSE Management System (Green Book)
- The Rules of Procedure of the Board, instructions to the CEO and for the financial reporting to the Board and the terms of reference of the Board Committees and the Investment Committee

Lundin Petroleum's Articles of Association

Lundin Petroleum's Articles of Association form the basis of the governance of the Company's operations. They set forth the Company's name, the seat of the Board, the object of the business activities, the shares and share capital of the Company and contain rules with respect to Shareholders' Meetings. The Articles of Association do not contain any limitations as to how many votes each shareholder may cast at Shareholders' Meetings, nor any provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association.

The Articles of Association are available on the Company's website.

Lundin Petroleum's Code of Conduct

Lundin Petroleum's Code of Conduct 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 activities in an economically, socially and environmentally responsible way, for the benefit of all stakeholders, including shareholders, employees, business partners, host and home governments and local communities. The Company applies the same standards to its activities worldwide to satisfy both its commercial and ethical requirements and strives to continuously improve its performance and to act in accordance with good oilfield practice and high standards of corporate citizenship. The Code of Conduct is an integral part of the Company's contracting procedures and any violations of the Code of Conduct will be the subject of an inquiry and appropriate remedial measures. Performance under the Code of Conduct is assessed on an annual basis by the Board.

The Code of Conduct is available on the Company's website.

Lundin Petroleum's policies, procedures, guidelines and management system

While the Code of Conduct provides Lundin Petroleum's ethical framework, dedicated Group policies, procedures and guidelines have been developed to outline specific rules and controls. The policies, guidelines and procedures cover areas such as Operations, Accounting and Finance, Health, Safety and Environment (HSE), Community Relations, Anti-Corruption, Human Rights, Stakeholder Engagement, Legal, Information Systems, Insurance & Risk Management, Human Resources and Corporate Communications and are continuously reviewed and updated as and when required.

In addition, Lundin Petroleum has a dedicated HSE Management System (Green Book), modelled after the ISO 14001 standard, which gives guidance to management, employees and contractors regarding the Company's intentions and expectations in HSE matters. The Green Book serves to ensure that all operations meet Lundin Petroleum's legal and ethical obligations, responsibilities and commitments within the HSE field.

Corporate Responsibility (CR) and HSE policies are available on the Company's website.

Lundin Petroleum's Rules of Procedure of the Board

The Rules of Procedure of the Board contain the fundamental rules regarding the division of duties between the Board, the Committees, the Chairman of the Board and the Chief Executive Officer (CEO). The Rules of Procedure also include instructions to the CEO, instructions for the financial reporting to the Board and the terms of reference of the Board Committees and the Investment Committee. The Rules of Procedure are approved annually by the Board.

Lundin Petroleum – governance structure

The object of Lundin Petroleum's business is to explore for, develop and produce oil and gas and to develop other energy resources, as laid down in the Articles of Association. The Company aims to create value for its shareholders through exploration and organic growth, while operating in an economically, socially and environmentally responsible way for the benefit of all stakeholders. To achieve this value creation, Lundin Petroleum applies a governance structure that favours straightforward decision making processes, with easy access to relevant decision makers, while nonetheless providing the necessary checks and balances for the control of the activities, both operationally and financially.

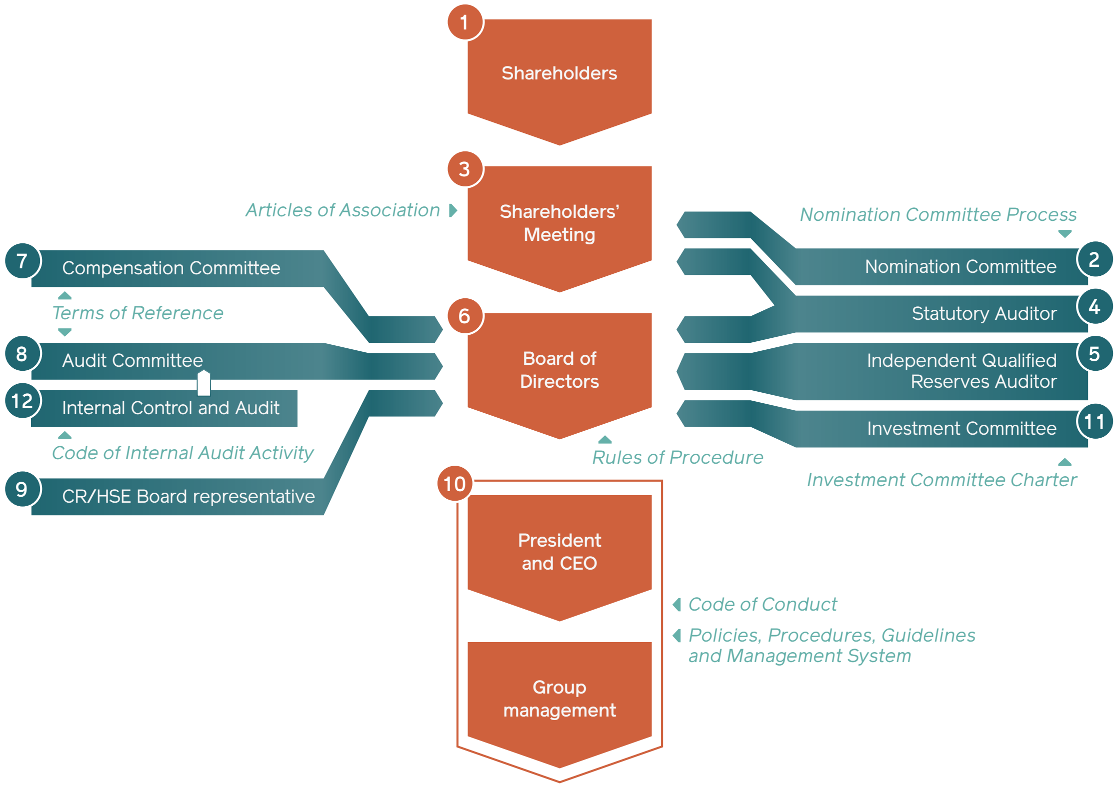
Share capital and shareholders 1

The shares of Lundin Petroleum are listed on the Large Cap list of NASDAQ Stockholm. The total number of shares is 311,070,330 shares with a quota value of SEK 0.01 each (rounded-off). The Company holds 2,000,000 own shares, representing 0.6 percent of the share capital, acquired for an average purchase price of SEK 65.16. All shares of the Company carry the same voting rights and the same rights to a share of the Company's assets and net result. The Board has been authorised by previous Annual General Meetings (AGMs) to decide upon repurchases and sales of the Company's own shares as an instrument to optimise the Company's capital structure and to secure the Company's obligations under its incentive plans. No own shares were acquired or sold during 2015.

Lundin Petroleum had at the end of 2015 a total of 37,254 shareholders listed with Euroclear Sweden, which represents a decrease of 8,414 shareholders compared to 2014, i.e. a decrease of approximately 18 percent. As at 31 December 2015, the major shareholders of the Company, which held more than ten percent of the shares and votes, were Lorito Holdings (Guernsey) Ltd. and Zebra Holdings and Investment (Guernsey) Ltd., two investment companies wholly owned by Lundin family trusts, which together held 28 percent of the shares. In addition, Landor Participations Inc., an investment company wholly owned by a trust whose settler is Ian H. Lundin, held 3.4 percent of the shares. Statoil ASA furthermore announced on 14 January 2016 that it had acquired 11.9 percent of the shares of the Company.

Further information regarding the shares and shareholders of Lundin Petroleum in 2015, as well as the Company's dividend policy, can be found on pages 14–15.

Lundin Petroleum – Governance Structure



Nomination Committee 2

The Nomination Committee is formed in accordance with the Company's Nomination Committee Process, which the shareholders approved at the 2014 AGM as applicable for all future AGMs, until a change is proposed by a Nomination Committee. According to the Process, the Company shall invite four of the larger shareholders of the Company based on shareholdings as per 1 August each year to form the Nomination Committee, however, the members are, regardless of how they are appointed, required to promote the interests of all shareholders of the Company.

The tasks of the Nomination Committee include making recommendations to the AGM regarding the election of the Chairman of the AGM, election of Board members and the Chairman of the Board, remuneration of the Chairman and other Board members, including remuneration for Board Committee work, election of the statutory auditor and remuneration of the statutory auditor. Shareholders may submit proposals to the Nomination Committee by e-mail to nomcom@lundin.ch.

Nomination Committee for the 2016 AGM

The Nomination Committee for the 2016 AGM consists of members appointed by four of the larger shareholders of the Company based on shareholdings as per 1 August 2015. The names of the members were announced and posted on the Company's website on 20 October 2015, i.e. within the timeframe of six months before the AGM as prescribed by the Code of Governance. The Company's Vice President Legal, Jeffrey Fountain, acts as the secretary of the Nomination Committee.

The Nomination Committee has held three meetings during its mandate and informal contacts have taken place between such meetings. To prepare the Nomination Committee for its tasks and duties and to familiarise the members with the Company, the Chairman of the Board, Ian H. Lundin, who is also a member of the Nomination Committee, commented at the meetings on the Company's business operations and future outlook, as well as on the oil and gas industry in general.

The full Nomination Committee report, including the final proposals to the 2016 AGM, are published on the Company's website together with the notice of the 2016 AGM.

Nomination Committee for the 2016 AGM

Member	Appointed by	Meeting attendance	Shares represented as at 1 Aug 2015	Shares represented as at 31 Dec 2015	Independent of the Company and Group management	Independent of the Company's major shareholders
Åsa Nisell	Swedbank Robur fonder	3/3	5.8 percent	6.3 percent	Yes	Yes
Ulrika Danielson	Andra AP-fonden	3/3	0.9 percent	0.4 percent	Yes	Yes
Knut Gezelius	SKAGEN Funds	3/3	1.7 percent	1.7 percent	Yes	Yes
Ian H. Lundin	Lorito Holdings (Guernsey) Ltd., Zebra Holdings and Investment (Guernsey) Ltd. and Landor Participations Inc., also non-executive Chairman of the Board of Lundin Petroleum	3/3	31.4 percent	31.4 percent	Yes	No[1]
Magnus Unger	Non-executive Board member of Lundin Petroleum who acts as the Chairman of the Nomination Committee	3/3	–	–	Yes	Yes
			Total 39.8 percent	Total 39.8 percent		

Summary of the Nomination Committee's work during their mandate

- Considering a report regarding the Board's work, as well as the results of the evaluation of the Board's work.
- Assessing the independence of the Board members under the rules of the Code of Governance.
- Considering and discussing the size and composition of the Board, including gender distribution, age, origin, educational and professional backgrounds and the proposed Board members' individual and collective qualifications, experiences and capabilities in view of the Company's current position and expected development.
- Considering succession planning matters and proposal for election of the Company's CEO Alex Schneiter as a new Board member at the 2016 AGM, combined with a reappointment of the current Board members and the Chairman of the Board. William A. Rand declined to stand for re-election.
- Considering the recommendation received through the Company's Audit Committee regarding the election of statutory auditor at the 2016 AGM.
- Considering Board and statutory auditor remuneration issues and proposals to the 2016 AGM.
- Considering a proposal to appoint an external independent Chairman for the 2016 AGM.
- Considering the Nomination Committee Process and that no changes should be proposed.
- Members of the Nomination Committee, who are not members of the Company's Board, met with two current Board members, Cecilia Vieweg and Grace Reksten Skaugen, to discuss the work and functioning of the Board.

Other requirements

- The Nomination Committee fulfills the independence requirements of the Code of Governance and no member of Group management is a member of the Committee.
- Magnus Unger was again unanimously elected as Chairman, a function that he has held since the Nomination Committee formed for the 2006 AGM. The fact that he is the Chairman of the Nomination Committee and a Board member of Lundin Petroleum constitutes a deviation from rule 2.4 in the Code of Governance, however, as in previous years, this deviation was considered justified both by the Company and the Nomination Committee given Magnus Unger's experience and expertise within the field.

[1] For details, see schedule on pages 66–67.

2016 Annual General Meeting

The 2016 AGM will be held on 12 May 2016 at 1 p.m. in Vinterträdgården at the Grand Hôtel, Södra Blasieholmshamnen 8, in Stockholm. Shareholders who wish to attend the meeting must be recorded in the share register maintained by Euroclear Sweden on 6 May 2016 and must notify the Company of their intention to attend the AGM no later than 6 May 2016. Further information about registration to the AGM, as well as voting by proxy, can be found in the notice of the AGM, available on the Company's website.

Shareholders’ meetings 3

The Shareholders’ Meeting is the highest decision-making body of Lundin Petroleum where the shareholders exercise their voting rights and influence the business of the Company. Shareholders may request that a specific issue be included in the agenda provided such request reaches the Board in due time. The AGM is held each year before the end of June at the seat of the Board in Stockholm. The notice of the AGM is announced in the Swedish Gazette (Post- och Inrikes Tidningar) and on the Company’s website no more than six and no less than four weeks prior to the meeting. The documentation for the AGM is provided on the Company’s website in Swedish and in English at the latest three weeks, however usually four weeks, before the AGM. At the AGM, the shareholders decide on a number of key issues regarding the governance of the Company, such as election of the members of the Board and the statutory auditor, the remuneration of the Board, management and the statutory auditor, including approval of the Policy on Remuneration, discharge of the Board members and the CEO from liability and the adoption of the annual accounts and appropriation of the Company’s result. Extraordinary General Meetings are held as and when required for the operations of the Company.

Resolutions at Shareholders’ Meetings generally require a simple majority to pass, unless the Swedish Companies Act requires a higher proportion of shares represented and votes cast at the Meeting. The results of each Shareholders’ Meeting are press released promptly after the Shareholders’ Meeting and the approved minutes are published on the Company’s website at the latest two weeks after the Shareholders’ Meeting.

2015 AGM

The 2015 AGM was held on 7 May 2015 at Grand Hôtel in Stockholm. The AGM was attended by 155 shareholders, personally or by proxy, representing 49.4 percent of the share capital. The Chairman of the Board, all of the Board members and the CEO were present, as well as the Company’s auditor and the majority of the members of the Nomination Committee for the 2015 AGM. The members of the Nomination Committee for the 2015 AGM were Åsa Nisell (Swedbank Robur fonder), Arne Lööw (Fjärde AP-fonden) and Pehr-Olof Malmström (Danske Capital AB), Ian H. Lundin (Lorito Holdings (Guernsey) Ltd., Zebra Holdings and Investment (Guernsey) Ltd. and Landor Participations Inc., as well as non-executive Chairman of the Board of Lundin Petroleum) and Magnus Unger (non-executive Board member of Lundin Petroleum and Chairman of the Nomination Committee). All proceedings were simultaneously translated from Swedish to English and from English to Swedish and all AGM materials were provided both in Swedish and English.

The resolutions passed by the 2015 AGM include:

- Election of advokat Klaes Edhall as Chairman of the AGM.
- Re-election of Peggy Bruzelius, C. Ashley Heppenstall, Ian H. Lundin, Lukas H. Lundin, William A. Rand, Magnus Unger and Cecilia Vieweg as Board members and election of Grace Reksten Skaugen as a new Board member. Asbjørn Larsen had declined re-election.
- Re-election of Ian H. Lundin as Chairman of the Board.
- Discharge of the Board and the CEO from liability for the administration of the Company’s business for 2014.
- Adoption of the Company’s income statement and balance sheet and the consolidated income statement and balance sheet and deciding that no dividend was to be declared for 2014.
- Re-election of the registered accounting firm PricewaterhouseCoopers AB as the Company’s statutory auditor until the 2016 AGM, authorised public accountant Johan Rippe being the designated auditor in charge.
- Approval of the remuneration of the Board members and the statutory auditor.
- Approval of the Company’s Policy on Remuneration for Group management.
- Approval of LTIP 2015 for members of Group management and a number of key employees.
- Authorisation for the Board to issue new shares and/or convertible debentures corresponding to in total not more than 34 million new shares, with or without the application of the shareholders pre-emption rights.
- Authorisation for the Board to decide on repurchases and sales of the Company’s own shares on NASDAQ Stockholm, where the number of shares held in treasury from time to time shall not exceed five percent of all outstanding shares of the Company.

An electronic system with voting devices was used for voting. The minutes of the 2015 AGM and all AGM materials, in Swedish and English, are available on the Company’s website, together with the CEO’s address to the AGM.

External auditors of the Company

Statutory auditor 4

Lundin Petroleum’s statutory auditor audits annually the Company’s financial statements, the consolidated financial statements, the Board’s and the CEO’s administration of the Company’s affairs and reports on the Corporate Governance Report. The auditor also performs a review of the Company’s half year report and issues a statement regarding the Company’s compliance with the Policy on Remuneration approved by the AGM. The Board of Directors meets at least once a year with the auditor without any member of Group management present at the meeting. In addition, the auditor participates regularly in Audit Committee meetings, in particular in connection with the Company’s half year and year end reports. Group entities outside of Sweden are audited in accordance with local rules and regulations.

At the 2015 AGM, the audit firm PricewaterhouseCoopers AB was re-elected as the auditor of the Company for a period of one year until the 2016 AGM. The auditor in charge is the authorised public accountant Johan Rippe.

The auditor’s fees are described in the notes to the financial statements, see Note 25 on page 116 and Note 7 on page 120. The auditor’s fees also detail payments made for assignments outside the regular audit mandate. Such assignments are kept to a minimum to ensure the auditor’s independence towards the Company and require prior approval of the Company’s Audit Committee.

Independent qualified reserves auditor 5

Lundin Petroleum’s independent qualified reserves auditor certifies annually the Company’s oil and gas reserves and certain contingent resources, i.e. the Company’s core assets, although such assets are not included in the Company’s balance sheet. The current auditor is ERC Equipoise Ltd. For further information regarding the Company’s reserves and resources, see the Production, Reserves and Resources section on pages 18–21.

Board of Directors 6

The Board of Directors of Lundin Petroleum is responsible for the organisation of the Company and management of the Company's operations. The Board is to manage the Company's affairs in the interests of the Company and all shareholders with the aim of creating long-term shareholder value. To achieve this, the Board should at all times have an appropriate composition considering the current and expected development of the operations, with Board members from a wide range of backgrounds that possess both individually and collectively the necessary experience and expertise. The Code of Governance recommends that an even gender distribution should be pursued.

Composition of the Board

The Board of Lundin Petroleum shall, according to the Articles of Association, consist of a minimum of three and a maximum of ten directors with a maximum of three deputies, and the AGM decides the final number each year. The Board members are elected for a period of one year.

The Nomination Committee for the 2015 AGM considered that a Board size of eight members would be appropriate taking into account the nature, size, complexity and geographical scope of the Company's business. The 2015 AGM approved the proposal and re-elected Peggy Bruzelius, C. Ashley Heppenstall, at the time also CEO of the Company, Ian H. Lundin, also Chairman of the Board, Lukas H. Lundin, William A. Rand, Magnus Unger and Cecilia Vieweg as Board members, and elected Grace Reksten Skaugen as a new Board member, for a period until the 2016 AGM. Asbjørn Larsen had declined re-election. There are no deputy members and no members appointed by employee organisations. In addition, the Board is supported by a corporate secretary who is not a Board member. The appointed corporate secretary is Jeffrey Fountain, the Company's Vice President Legal.

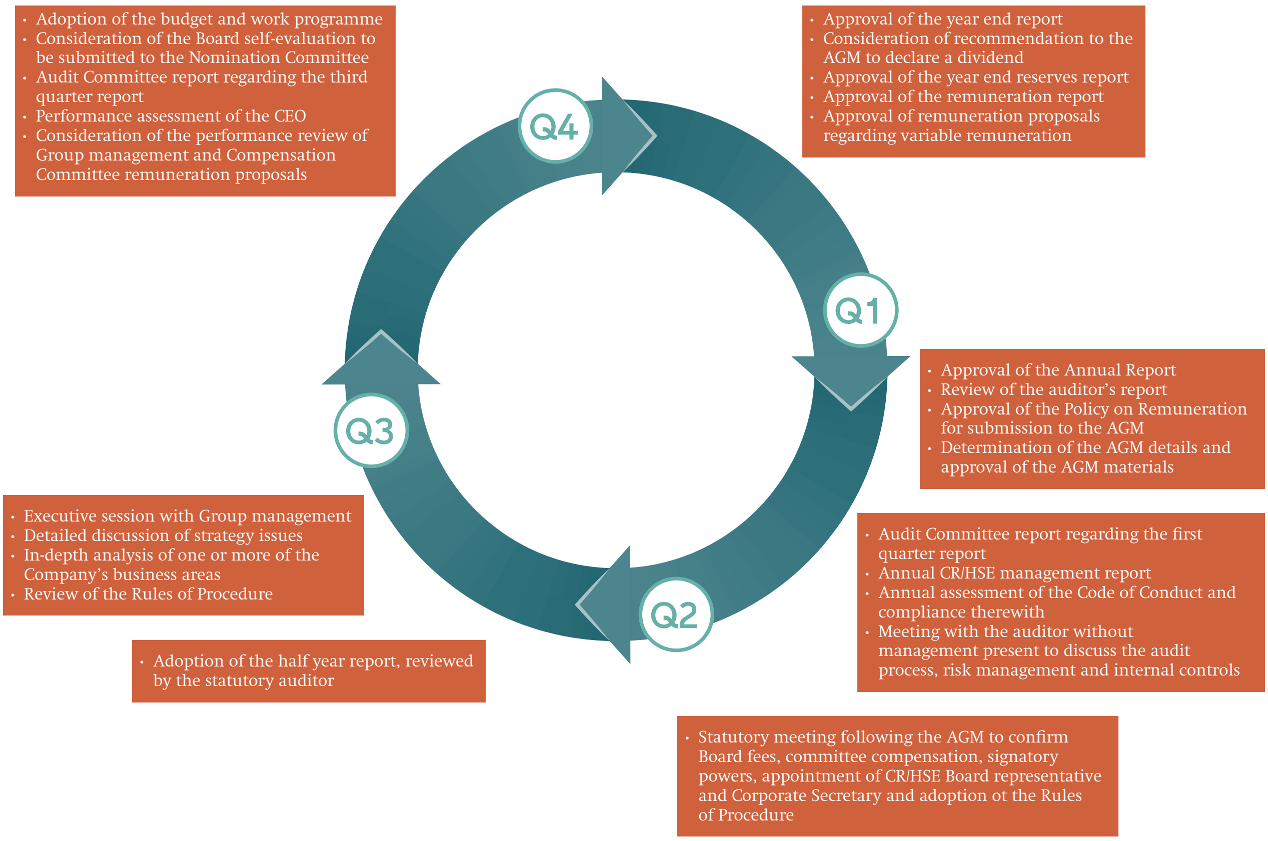
The Nomination Committee considered that the Board as proposed and elected by the 2015 AGM is a versatile group of knowledgeable and skilled individuals who are motivated and prepared to undertake the tasks required of the Board in today's challenging international business environment. The Board members possess substantial expertise and experience relating to the oil and gas industry in Norway and internationally and in particular in relation to Lundin Petroleum's core areas of operations, public company financial matters, Swedish practice, compliance and CR/HSE matters. Gender balance was also specifically discussed and the Nomination Committee noted that following the election of Grace Reksten Skaugen, 37.5 percent of the Board members are women and that the Company meets the recommendation of the Swedish Corporate Governance Board that larger listed Swedish companies should strive to achieve 35 percent female Board representation by 2017.

The Nomination Committee also considered the independence of each proposed Board member and determined that the composition of the proposed Board met the independence requirements of the Code of Governance both in respect of independence towards the Company and Group management and towards the Company's major shareholders. The independence of each Board member is presented in the schedule on pages 66–67.

Principal tasks of the Board of Directors

- Establishing the overall goals and strategy of the Company
- Making decisions regarding the supply of capital
- Appointing, evaluating and, if necessary, dismissing the CEO
- Defining necessary guidelines to govern the Company's conduct in society, with the aim of ensuring its long-term value creation capability
- Ensuring that there is an appropriate system for follow-up and control of the Company's operations and the risks to the Company that are associated with its operations
- Ensuring that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations, as well as the application of internal guidelines
- Ensuring that the Company's external communications are characterised by openness, and that they are accurate, reliable and relevant
- Ensuring 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
- Continuously evaluating the Company's and the Group's economic situation

Board's Yearly Work Cycle



Board meetings and work

In addition to applicable rules and regulations such as the Swedish Companies Act and the Code of Governance, the Board is guided by the Rules of Procedure, which set out how the Board is to conduct its work. The Chairman of the Board, Ian H. Lundin, is responsible for ensuring that the Board's work is well organised and conducted in an efficient manner. He upholds the reporting instructions for management, as drawn up by the CEO and as approved by the Board, however, he does not take part in the day-to-day decision-making concerning the operations of the Company. The Chairman maintains close contacts with the CEO to ensure the Board is at all times sufficiently informed of the Company's operations and financial status, and to provide support to the CEO in his tasks and duties. The Chairman further meets, at various occasions during the year, shareholders of the Company to discuss shareholder questions and ownership issues in general, as well as other Company stakeholders. In addition, the Chairman actively promotes the Company and its interests in the various operational locations and in respect of potential new business opportunities.

In addition to the statutory meeting following the AGM, the Board normally holds at least six ordinary meetings per calendar year to ensure all areas of responsibility are duly addressed and that adequate focus is placed on strategic and important issues. At the meetings, the CEO reports on the status of the business, prospects and the financial situation of the Company. The Board also receives management updates and presentations on the business and operations of the Company, financial status, CR/HSE matters, insurance and risk management, legal questions and investor relations matters, to enable the Board to duly monitor the Company's operations and financial position. Furthermore, the Board receives regular reports from the Company's Audit Committee, Compensation Committee and the CR/HSE Board representative on issues delegated to, or considered by, the Committees and the CR/HSE Board representative. A monthly operational report is also circulated to the Board members.

Board meetings and work in 2015

During 2015, nine Board meetings were held, including the statutory meeting. To continue developing the Board's knowledge of the Company and its operations, at least one Board meeting per year is held in an operational location and is combined with visits to the operations, industry partners and other business interests. In September 2015, the Board visited the Malaysian operations, and an executive session with Group management was held in connection with the Board meeting. At the executive session, an overview of the Company's general strategy and operations was given, as well as a financial update discussing the Company's current and future financing needs. In-depth operations reviews were given regarding the Group's exploration and development activities, with a continued focus on the Norwegian and South East Asian operations, as well as a reserves and production update. The impact of the low oil price environment was considered throughout the discussions. Group management also attended a number of Board meetings during the year to present and report on specific questions.

Board of Directors

Ian H. Lundin
Chairman since 2002
Director since 2001
Member of the Nomination Committee
Member of the Compensation Committee

Peggy Bruzelius
Director since 2013
Chair of the Audit Committee

C. Ashley Heppenstall
Director since 2001

Lukas H. Lundin
Director since 2001

Evaluation of the Board's work

A formal review of the work of the Board was conducted in November 2015 through a questionnaire submitted to all Board members, with the objective of ensuring that the Board functions in an efficient manner and to enable the Board to strengthen its focus on matters which may be raised. The topics considered included several aspects of the Board's structure, work, meetings and general issues such as support and information given to the Board.

Individual feedback from all Board members was received and the overall conclusions were very positive and showed that the structure and composition of the Board is appropriate and that the Board members have relevant experience, which enables the Board to function as an effective governing body. The Board Committees' duties and decision-making powers within the Board are clear and the Committees report to the Board in an appropriate manner. The Board meetings are well planned and prepared, with high quality presentations, and enable the Board to effectively monitor the Company's activities and performance. Board meetings in connection with site visits to the operational areas were considered very helpful, as were the monthly operational reports summarising the activities and main events of each month. The additional meeting in person that has been implemented as a result of comments received in the previous year's review is appreciated. Individual suggestions received included that an external speaker could be invited to present an interesting topic in view of the Company's operations and as in previous years, that more time should be given to discussions regarding the Company's overall strategy rather than very detailed operational matters. The results and conclusions of the review were presented to the Nomination Committee.

Remuneration of Board Members

The remuneration of the Chairman and other Board members follows the resolution adopted by the AGM. The Board members, with the exception of the CEO, are not employed by the Company, do not receive any salary from the Company and are not eligible for participation in the Company's incentive programmes.

At the 2015 AGM, the Chairman was awarded an amount of SEK 1,050,000 and each other Board member, with the exception of the CEO, an amount of SEK 500,000. The AGM further decided to award SEK 100,000 for each ordinary Board Committee assignment and SEK 150,000 for each assignment as Committee Chairman, however, limited to a total of SEK 900,000 for Committee work. In addition, the 2015 AGM approved an amount of SEK 1,500,000 to be paid to the Chairman of the Board for special assignments outside the directorship.

The Board has implemented a policy for share ownership by Board members and each Board member is expected to own, directly or indirectly, at least 5,000 shares of the Company. The level shall be met within three years of appointment and during such period, Board members are expected to allocate at least 50 percent of their annual Board fees towards purchases of the Company's shares.

The remuneration of the Board of Directors is detailed further in the schedule on pages 66–67 and in the notes to the financial statements, see Note 23 on pages 113–114.

More information on the Board members can be found on pages 66–67 and on www.lundin-petroleum.com

William A. Rand
Director since 2001
Member of the Compensation Committee and Audit Committee

Grace Reksten Skaugen
Director since 2015
CR/HSE Board representative

Magnus Unger
Director since 2001
Chairman of the Nomination Committee
Member of the Audit Committee

Cecilia Vieweg
Director since 2013
Chair of the Compensation Committee

Board of Directors work during the year

In addition to the topics covered by the Board as per its yearly work cycle, the following significant matters were addressed by the Board during the year.

- Considering the Company's production performance, forecasts and future outlook.
- Considering and discussing in detail the major Johan Sverdrup development project, as well as the on-going developments of the Edvard Grieg (first oil in November 2015), Brynhild (first oil in December 2014), Bøyla (first oil in January 2015), Ivar Aasen and Bertam (first oil in April 2015) fields, and the associated project risks, cost overruns, schedule delays and the sharp oil price decline and its implications on these operations.
- Approving the development of the Viper/Kobra field offshore Norway.
- Considering the granted production license for the Morskaya field in the Lagansky Block in Russia and strategy going forward.
- Discussing the Company's worldwide exploration activities and strategy, including the environmental aspects of operating in the southern Barents Sea and potential new areas of operation.
- Assessing the Company's oil and gas reserves and resources positions.
- Considering in detail the Company's current and future financing needs and strategy, in particular given the significant oil price decline, including the Company's financial risk management, cash flows, sources of funding, foreign exchange movements, hedging strategy and liquidity position.
- Approving a Norwegian exploration refund facility in an amount up to NOK 4.5 billion to provide additional financial capacity to fund the Norwegian operations.
- Discussing in detail the world economic and energy outlook and the low oil price environment and its impact on the Company's operations, as well as the related downward trend in industry costs and the effect of the economic conditions on industry partners and the drilling rig and contractor market, cost control measures within the Company and hedging of upcoming development costs.
- Considering the Company's risk management and insurance policies and procedures.
- Assessing and discussing the Company's HSE performance as well as CR matters, including the Company's partnership with the Lundin Foundation and its projects, and appointing Grace Reksten Skaugen as the new Board CR/HSE representative.
- Considering the Group's marketing arrangements and strategy and approving to establish an internal marketing organisation to optimise hydrocarbon sales.
- Considering and approving potential asset and licence disposals and acquisitions, including the sale of the Company's Indonesian operations.
- Considering the proposal for a performance based LTIP 2015, following the same principles as the 2014 LTIP approved by the 2014 AGM, including continued stakeholder engagement discussions and meetings held with Swedish and foreign investors, revising the applicable peer group, approving participants, allocating individual awards and approving the detailed plan rules, subject to 2015 AGM approval.
- Dissolving the Reserves Committee and assuming together with management the functions not related to compliance with Canadian securities regulations, which no longer apply as a result of delisting from the Toronto Stock Exchange.
- Considering management changes, including the appointment of Alex Schneiter as the new CEO and Nick Walker as the new COO as per 1 October 2015, and approving terms and conditions in relation thereto.
- Discussing the tender process for the Company's auditor.

Board Committees and the CR/HSE Representative

To maximise the efficiency of the Board's work and to ensure a thorough review of specific issues, the Board has established a Compensation Committee and an Audit Committee and has appointed a CR/HSE Board representative. The tasks and responsibilities of the Committees are detailed in the terms of reference of each Committee, which are annually adopted as part of the Rules of Procedure of the Board. Minutes are kept at Committee meetings and matters discussed are reported to the Board. In addition, informal contacts take place between ordinary meetings as and when required by the operations.

Compensation Committee 7

The Compensation Committee assists the Board in Group management remuneration matters and receives information and prepares the Board's and the AGM's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Group management. The objective of the Committee in determining compensation for Group management is to provide a compensation package that is based on market conditions, is competitive and takes into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the individual. The Committee's tasks also include monitoring and evaluating programmes for variable remuneration, the application of the Policy on Remuneration as well as the current remuneration structures and levels in the Company. In addition, the Compensation Committee may request advice and assistance of external reward consultants. For further information regarding Group remuneration matters, see the remuneration section of this report on pages 63–65.

Audit Committee 8

The Audit Committee assists the Board in ensuring that the Company's financial reports are prepared in accordance with International Financial Reporting Standards (IFRS), the Swedish Annual Accounts Act and accounting practices applicable to a company incorporated in Sweden and listed on NASDAQ Stockholm. The Audit Committee itself does not perform audit work, however, it supervises the Company's financial reporting and assesses the efficiency of the Company's financial internal controls, internal audit and risk management, with the primary objective of providing support to the Board in the decision making processes regarding such matters. In addition, the Committee is empowered by the Committee's terms of reference to make decisions on certain issues delegated to it, such as review and approval of the Company's first and third quarter interim financial statements on behalf of the Board. The Audit Committee also regularly liaises with the Group's statutory auditor as part of the annual audit process and reviews the audit fees and the auditor's independence and impartiality. The Audit Committee further assists the Company's Nomination Committee in the preparation of proposals for the election of the statutory auditor at the AGM.

CR/HSE Board representative 9

The Board has a leadership and supervisory role in all CR/ HSE matters within the Group and appoints yearly one non-executive Director to act as the CR/HSE Board representative. The tasks of the CR/HSE Board representative include to liaise with Group management regarding CR/HSE related matters and to regularly report on such matters to the Board of Directors. The current CR/HSE Board representative is Grace Reksten Skaugen. More information about the Company's CR/HSE activities can be found in the Responsible Transformation section on pages 38–49.

Management 10

Management structure

The Company's previous President and CEO, C. Ashley Heppenstall, stepped down from his position after 13 years and was succeeded by Alex Schneiter on 1 October 2015, the Company's Executive Vice President and Chief Operating Officer (COO) since inception in 2001. At the same time, Nick Walker was appointed as COO of the Company.

The CEO is responsible for the management of the day-to-day operations of Lundin Petroleum. He is appointed by, and reports to, the Board. He in turn appoints the other members of Group management, who assist the CEO in his functions and duties, and in the implementation of decisions taken and instructions given by the Board, with the aim of ensuring that the Company meets its strategic objectives and continues to deliver responsible growth and long-term shareholder value.

Lundin Petroleum's Group and local management consists of highly experienced individuals with worldwide oil and gas experience and in addition to the CEO, comprises:

- The Investment Committee, which in addition to the CEO includes:
  – the COO, Nick Walker, who is responsible for Lundin Petroleum's worldwide exploration, development and production operations; and
  – the Chief Financial Officer (CFO), Mike Nicholson, who is responsible for the financial reporting, internal audit, risk management, tax, treasury function and economics.
- The Vice President Corporate Responsibility, Christine Batruch, who is responsible for the Group's CR and HSE strategy, the Vice President Legal, Jeffrey Fountain, who is responsible for all legal matters within the Group, the Vice President Corporate Planning and Investor Relations, Teitur Poulsen, who is responsible for Group investor relations as well as all matters relating to the corporate planning and development of Lundin Petroleum and the Vice President Corporate Finance, Christophe Nerguararian, who is responsible for managing the Company's financing and commercial matters.
- The General Managers/Managing Directors who are responsible for the day-to-day activities of the local operational entities.

Another management change occurred as per the end of January 2015 as the Company's former Senior Vice President Development, Chris Bruijnzeels, decided to step down following twelve years with the Company.

Audit Committee 2015

Members	Meeting attendance	Audit Committee work during the year	Other requirements
Peggy Bruzelius, Chair[1] William A. Rand[1] Asbjørn Larsen[2] Magnus Unger[2]	6/6 6/6 3/3 3/3	– Assessment of the 2014 year end report and the 2015 half year report for completeness and accuracy and recommendation for approval to the Board. – Assessment and approval of the first and third quarter reports 2015 on behalf of the Board. – Evaluation of accounting issues in relation to the assessment of the financial reports. – Follow-up and evaluation of the results of the internal audit and risk management of the Group. – Three meetings with the statutory auditor to discuss the financial reporting, internal controls, risk management, etc. The committee met with the statutory auditor without management present at these meetings. – Evaluation of the audit performance and the independence and impartiality of the statutory auditor. – Review and approval of statutory auditor's fees. – Undertaking and considering the results of a tender process to evaluate whether to propose a change in statutory auditor and recommending the Nomination Committee to propose the current statutory auditor for re-election at the 2016 AGM.	– The composition of the Audit Committee fulfils the independence requirements of the Swedish Companies Act and the Code of Governance. – The Audit Committee members have extensive experience in financial, accounting and audit matters. William A. Rand chaired the Audit Committee since its inception in 2002 until May 2015, when Peggy Bruzelius took over. Peggy Bruzelius' current and previous assignments include high level management positions in financial institutions and companies and she has chaired Audit Committees of other companies. Magnus Unger has previously been a member of the Company's Audit Committee and has extensive knowledge of financial matters.

Compensation Committee 2015

Members	Meeting attendance	Compensation Committee work during the year	Other requirements
Cecilia Vieweg, Chair William A. Rand Magnus Unger[3] Ian H. Lundin[3]	3/3 3/3 2/2 1/1	– Review of and strengthening the Performance Management Process. – Review of the performance of the CEO and Group management as per the Performance Management Process. – Preparing a report regarding the Board's evaluation of remuneration in 2014. – Continuous monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration. – Preparing a proposal for the 2015 Policy on Remuneration for Board and AGM approval. – Consultation with Company stakeholders, including institutional investors, regarding the proposed LTIP 2015. – Preparing a proposal for LTIP 2015 for Board and AGM approval. – Preparing a proposal for remuneration and other terms of employment for the CEO for Board approval. – Review of the CEO's proposals for remuneration and other terms of employment of the other members of Group management for Board approval. – Review and approval of the CEO's proposals for the principles of compensation of other employees. – Review and approval of the CEO's proposals for 2015 LTIP awards. – Undertaking a remuneration benchmark study.	– The composition of the Compensation Committee fulfils the independence requirements of the Code of Governance.

1 William A. Rand was the Chairman of the Audit Committee until 7 May 2015 and Peggy Bruzelius is the Chair of the Audit Committee as of 7 May 2015.
2 Asbjørn Larsen was a member of the Audit Committee until 7 May 2015 and Magnus Unger is a member of the Audit Committee as of 7 May 2015.
3 Magnus Unger was a member of the Compensation Committee until 7 May 2015 and Ian H. Lundin is a member of the Compensation Committee as of 7 May 2015.

Group management

Alex Schneiter
President and
Chief Executive Officer

Mike Nicholson
Chief Financial Officer

Nick Walker
Chief Operating Officer

Group management tasks and duties

The tasks of the CEO and the division of duties between the Board and the CEO are defined in the Rules of Procedure and the Board's instructions to the CEO. In addition to the overall management of the Company, the CEO's tasks include ensuring that the Board receives all relevant information regarding the Company's operations, including profit trends, financial position and liquidity, as well as information regarding important events such as significant disputes, agreements and developments in important business relations. The CEO is also responsible for preparing the required information for Board decisions and for ensuring that the Company complies with applicable legislation, securities regulations and other rules such as the Code of Governance. Furthermore, the CEO maintains regular contacts with the Company's stakeholders, including shareholders, the financial markets, business partners and public authorities. To fulfil his duties, the CEO works closely with the Chairman of the Board to discuss the Company's operations, financial status, up-coming Board meetings, implementation of decisions and other matters.

Under the leadership of the CEO, Group management is responsible for ensuring that the operations are conducted in compliance with all Group policies, procedures and guidelines procedures in a professional, efficient and responsible manner. Regular management meetings are held to discuss all commercial, technical, CR/HSE, financial, legal and other issues within the Group to ensure the established short- and long-term business objectives and goals will be met. A detailed weekly operations report is further circulated to Group management summarising the operational events, highlights and issues of the week in question. Group management also travels frequently to oversee the ongoing operations, seek new business opportunities and meet with various stakeholders, including business partners, suppliers and contractors, government representatives and financial institutions. In addition, Group management liaises continuously with the Board, and in particular the Board Committees and the CR/HSE Board representative, in respect of ongoing matters and issues that may arise, and meets with the Board at least once a year at the executive session held in connection with a Board meeting in one of the operational locations.

Investment Committee 11

The Company's Investment Committee, which consists of the CEO, CFO and COO, assists the Board in discharging its responsibilities in overseeing the Company's investment portfolio. The role of the Investment Committee is to determine that the Company has a clearly articulated investment policy, to develop, review and recommend to the Board investment strategies and guidelines in line with the Company's overall policy, to review and approve investment transactions and to monitor compliance with investment strategies and guidelines. The responsibilities and duties include considering annual budgets, supplementary budget approvals, investment proposals, commitments, relinquishment of licences, disposal of assets and performing other investment related functions as the Board may designate. The Investment Committee has regularly scheduled meetings and meets more frequently if required by the operations.

Major topics addressed by Group management in 2015

- Lundin Petroleum's organic growth strategy.
- The low oil price environment and its effect on the current operations and future projects.
- Management of the on-going development projects and production operations.
- Considering external sources of funding as well as appropriate asset disposals to optimise the Group asset portfolio.
- Internal cost control measures.
- Monitoring industry cost reductions and ensuring the Group takes advantage thereof.
- Stakeholder engagement initiatives.
- Implementing a Group-wide CR e-learning training course and monitoring closely HSE performance in relation to the development projects.
- Reviewing the Group's insurance and risk management policies.

More information on Group management can be found on www.lundin-petroleum.com

Christine Batruch
Vice President Corporate Responsibility

Jeffrey Fountain
Vice President Legal

Christophe Nerguararian
Vice President Corporate Finance

Teitur Poulsen
Vice President Corporate Planning and Investor Relations

Remuneration

Group principles of remuneration

Lundin Petroleum aims to offer all employees compensation packages that are competitive and in line with market conditions. These packages are designed to ensure that the Group can recruit, motivate and retain highly skilled individuals and reward performance that enhances shareholder value.

The Group's compensation packages consist of four elements, being (i) base salary; (ii) yearly variable salary; (iii) long-term incentive plan (LTIP); and (iv) other benefits. As part of the yearly assessment process, a Performance Management Process has been established to align individual and team performance to the strategic and operational goals and objectives of the overall business. Individual performance measures are formally agreed and key elements of variable remuneration are clearly linked to the achievement of such stated and agreed performance measures.

To ensure compensation packages within the Group remain competitive and in line with market conditions, the Compensation Committee undertakes yearly benchmarking studies. For each study, a peer group of international oil and gas companies of similar size and operational reach is selected, against which the Group's remuneration practices are measured. The levels of base salary, yearly variable salary and long-term incentives are set at the median level, however, in the event of exceptional performance, deviations may be authorised. As the Group continuously competes with the peer group to retain and attract the very best talent in the market, both at operational and executive level, it is considered important that the Group's compensation packages are determined primarily by reference to the remuneration practices within this peer group.

Policy on Remuneration for Group management

The remuneration of Group management follows the principles that are applicable to all employees, however, these principles must be approved by the shareholders at the AGM. The Compensation Committee therefore prepares yearly for approval by the Board and for submission for final approval to the AGM, a Policy on Remuneration for Group management. Based on the approved Policy on Remuneration, the Compensation Committee subsequently proposes to the Board for approval the remuneration and other terms of employment of the CEO. The CEO, in turn, proposes to the Compensation Committee, for approval by the Board, the remuneration and other terms of employment of the other members of Group management.

LTIP 2015

The 2015 AGM resolved to approve a performance based LTIP 2015, that follows the same principles as the previously approved LTIP 2014, for Group management and a number of key employees of Lundin Petroleum, which gives the participants the possibility to receive shares in Lundin Petroleum subject to the fulfilment of a performance condition under a three year performance period commencing on 1 July 2015 and expiring on 1 July 2018. The performance condition is based on the share price growth and dividends (Total Shareholder Return) of the Lundin Petroleum share compared to the Total Shareholder Return of a peer group of companies.

Alex Schneiter, President and CEO

Alex Schneiter was born in 1962 and is a graduate from the University of Geneva with a degree in Geology and a masters degree in Geophysics. He has worked with public companies associated with the Lundin family since 1993 and was the Executive Vice President and Chief Operating Officer of Lundin Petroleum from the Company's inception in 2001 up to his appointment as the Company's President and Chief Executive Officer on 1 October 2015. He holds 223,133 shares in the Company as per 31 December 2015.

At the beginning of the performance period, the participants were granted awards which, provided that among others the performance condition is met, entitle the participant to be allotted shares in Lundin Petroleum at the end of the performance period. The number of performance shares that may be allotted to each participant is limited to a value of three times his/her annual gross base salary for 2015 and the total LTIP award made in respect of 2015 was 705,406.

The Board of Directors may reduce (including reduce to zero) the allotment of performance shares at its discretion, should it consider the underlying performance not to be reflected in the outcome of the performance condition, for example, in light of operating cash flow, reserves and HSE performance. The participants will not be entitled to transfer, pledge or dispose of the LTIP awards or any rights or obligations under LTIP 2015, or perform any shareholders' rights regarding the LTIP awards during the performance period.

The LTIP awards entitle participants to acquire already existing shares. Shares allotted under LTIP 2015 are further subject to certain disposition restrictions to ensure participants build towards a meaningful shareholding in Lundin Petroleum. The level of shareholding expected of each participant is either 50 percent or 100 percent (200 percent for the CEO) of the participant's annual gross base salary based on the participant's position within the Group.

Performance monitoring and review

The Board is responsible for monitoring and reviewing on a continuous basis the work and performance of the CEO and shall carry out at least once a year a formal performance review. In 2015, the Compensation Committee undertook on behalf of the Board a review of the work and performance of Group management, including the CEO. The results were presented to the Board, together with proposals regarding the compensation of the CEO and other Group management. Neither the CEO nor other Group management were present at the Board meetings when such discussions took place.

The tasks of the Compensation Committee also include monitoring and evaluating the general application of the Policy on Remuneration, as approved by the AGM, and the Compensation Committee prepares in connection therewith a yearly report, for approval by the Board, on the application of the Policy on Remuneration and the evaluation of remuneration of Group management. As part of its review process, the statutory auditor of the Company also verifies on a yearly basis whether the Company has complied with the Policy on Remuneration. Both reports are available on the Company's website.

Permitted deviations to the 2015 Policy on Remuneration

The Board of Directors agreed on permitted deviations from the 2015 Policy on Remuneration for the approval of consultancy fees to members of the Board of Directors, for work performed or to be performed outside of the directorship. The 2015 Policy on Remuneration referred only to Group management remuneration and did not refer to consultancy fees to members of the Board of Directors. Further information regarding these permitted deviations can be found in Note 23 on pages 113–114.

POLICY ON REMUNERATION FOR GROUP MANAGEMENT AS APPROVED BY THE 2015 AGM

Application and objectives of the Policy

In this Policy on Remuneration, the term "Group management" refers to the President and Chief Executive Officer, the Executive Vice President and Chief Operating Officer, the Chief Financial Officer, the Senior Vice President Development and other Vice President level employees. Group management will be comprised of seven executives in 2015.

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 performance that enhances shareholder value. Accordingly, the Group operates this Policy on Remuneration to ensure 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 Group management is rewarded fairly for its contribution to the Group's performance.

Compensation Committee

The Board of Directors of Lundin Petroleum has established the Compensation Committee to, among other things, administer this Policy on Remuneration. The Compensation Committee is to receive information and prepare the Board of Directors' and the Annual General Meeting's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Group management. The Compensation Committee meets regularly and its tasks include monitoring and evaluating programmes for variable remuneration for Group management and the application of this Policy on Remuneration, as well as the current remuneration structures and levels in the Company.

The Compensation Committee may request the advice and assistance of external reward consultants, however, it shall ensure that there is no conflict of interest regarding other assignments that such consultants may have for the Company and Group management.

Elements of remuneration

There are four key elements to the remuneration of the Group management:
a) base salary;
b) yearly variable salary;
c) long-term incentive plan; and
d) other benefits.

Board's Proposal for Remuneration to Group Management to the 2016 AGM

For information regarding the Board's proposal for remuneration to Group management to the 2016 AGM, including a similar LTIP as approved by the 2014 and 2015 AGMs, see the Directors' report, page 84.

Base salary

The executive's base salary shall be based on market conditions, shall 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 executive's base salary, as well as the other elements of the executive's remuneration, shall be reviewed annually to ensure that such remuneration remains competitive and in line with market conditions. As part of this assessment process, the Compensation Committee undertakes yearly benchmarking studies in respect of the Company's remuneration policy and practices.

Yearly variable salary

The Company considers that yearly variable salary is an important part of the executive's remuneration package where associated performance targets reflect the key drivers for value creation and growth in shareholder value. Through its Performance management Process, the Company sets predetermined and measurable performance criteria for each executive, aimed at promoting long-term value creation for the Company's shareholders.

The yearly variable salary shall, in the normal course of business, be based upon a predetermined limit, being within the range of one to twelve monthly salaries (if any). However, the Compensation Committee may recommend to the Board of Directors for approval yearly variable salary outside of this range in circumstances or in respect of performance which the Compensation Committee considers to be exceptional.

The cost of yearly variable salary for 2015 is estimated to range between no payout at minimum level and MSEK 25.7 (excluding social costs) at maximum level, based on the current composition of Group management.

Long-term Incentive Plan

The Company believes that it is appropriate to structure its long-term incentive plans (LTIP) to align Group management's incentives with shareholder interests. Remuneration which is linked to the share price results in a greater personal commitment to the Company. Therefore, the Board believes that the Company's LTIP for Group management should be related to the Company's share price.

Information on the principal conditions of the proposed 2015 LTIP for Group management, which follows the same principles as the LTIP approved by the 2014 Annual General Meeting, is available as part of the documentation for the Annual General Meeting on www.lundin-petroleum.com.

The cost at grant of the proposed 2015 LTIP is estimated to range between no payout at minimum level and MSEK 65.5 (excluding social costs) at maximum level, based on the current composition of Group management.

Other benefits

Other benefits shall be based on market terms and shall facilitate the discharge of each executive's duties. Such benefits include statutory pension benefits comprising a defined contribution scheme with premiums calculated on the full base salary. The pension contributions in relation to the base salary are dependent upon the age of the executive.

Severance arrangements

A mutual notice period of between one and twelve months applies between the Company and executives, depending on the duration of the employment with the Company. In addition, severance terms are incorporated into the employment contracts for executives that give rise to compensation, up to two years' base salary, in the event of termination of employment due to a change of control of the Company. The Board of Directors is further authorised, in individual cases, to approve severance arrangements, in addition to the notice periods and the severance arrangements in respect of a change of control of the Company, where employment is terminated by the Company without cause, or otherwise in circumstances at the discretion of the Board. Such severance arrangements may provide for the payment of up to one year's base salary; no other benefits shall be included. Severance payments in aggregate (i.e. for notice periods and severance arrangements) shall be limited to a maximum of two years' base salary.

Authorisation for the Board

The Board of Directors is 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.

Outstanding remunerations

Information regarding previously approved remunerations to Group management, which remain outstanding (if any), is available in note 33 of the Company's Annual Report (2014).

Sudan

In June 2010, the Swedish International Public Prosecution Office commenced an investigation into alleged violations of international humanitarian law in Sudan during 1997—2003. The Company has cooperated extensively and proactively with the Prosecution Office by providing information regarding its operations in Block 5A in Sudan during the relevant time period. As repeatedly stated, Lundin Petroleum categorically refutes all allegations of wrongdoing and will cooperate with the Prosecution Office's investigation. Lundin Petroleum strongly believes that it was a force for good in Sudan and that its activities contributed to the improvement of the lives of the people of Sudan.

Board of Directors

Name	Ian H. Lundin	Peggy Bruzelius	C. Ashley Heppenstall	Lukas H. Lundin
Function	Chairman (since 2002)	Director	Director	Director
Elected	2001	2013	2001	2001
Born	1960	1949	1962	1958
Education	Bachelor of Science degree in Petroleum Engineering from the University of Tulsa.	Master of Science (Economics and Business) from the Stockholm School of Economics.	Bachelor of Science degree in Mathematics from the University of Durham.	Graduate from the New Mexico Institute of Mining, Technology and Engineering.
Experience	Ian H. Lundin was previously CEO of International Petroleum Corp. during 1989–1998, of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002.	Peggy Bruzelius has worked as Managing Director of ABB Financial Services AB and has headed the asset management division of Skandinaviska Enskilda Banken AB.	C. Ashley Heppenstall has worked with public companies where the Lundin family has a major shareholding since 1993. He was CFO of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002 and was CEO of Lundin Petroleum during 2002–September 2015.	Lukas H. Lundin has held several key positions within companies where the Lundin family has a major shareholding.
Other board duties	Chairman of the board of Etrion Corporation and member of the board of Bukowski Auktioner AB.	Chair of the board of Lancelot Asset Management AB, member of the board of Axfood AB, Diageo PLC, Akzo Nobel NV and Skandia Liv.	Member of the board of Etrion Corporation, ShaMaran Petroleum Corp., Africa Energy Corp., Lundin Gold Inc. and Gateway Storage Company Limited.	Chairman of the board of Lundin Mining Corp., Lucara Diamond Corp., NGEx Resources Inc., Lundin Gold Inc. and Lundin Foundation, Executive Chairman of the board of Denison Mines Corp and a board member of Bukowski Auktioner AB.
Shares in Lundin Petroleum (as at 31 December 2015)	Nil[1]	8,000	1,391,283	788,331[5]
Board Attendance	9/9	9/9	9/9	9/9
Audit Committee Attendance	–	6/6	–	–
Compensation Committee Attendance	1/1[2]	–	–	–
Remuneration for Board and Committee work	SEK 1,100,000	SEK 625,000	SEK 83,333	SEK 500,000
Remuneration for special assignments outside the directorship [9]	SEK 1,500,000	Nil	Nil	Nil
Independent of the Company and the Group management	Yes[3]	Yes	No[4]	Yes
Independent of the Company's major shareholders	No[1]	Yes	No[4]	No[5]

1 Ian H. Lundin is the settler of a trust that owns Landor Participations Inc., an investment company that holds 10,638,956 shares in the Company, and is a member of the Lundin family that holds, through a family trust, Lorito Holdings (Guernsey) Ltd. which holds 76,342,895 shares in the Company and Zebra Holdings and Investment (Guernsey) Ltd. which holds 10,844,643 shares in the Company.

2 Ian H. Lundin is a member of the Compensation Committee as of 7 May 2015.

3 Ian H. Lundin and Magnus Unger have been retained by management to perform remunerated work duties which fall outside the scope of the regular work of the Board. It is the Nomination Committee's and the Company's opinion that despite this work, they remain independent of the Company and the Group management.

4 C. Ashley Heppenstall is in the Nomination Committee's and the Company's opinion not deemed independent of the Company and the Group management since he was the President and CEO of Lundin Petroleum until September 2015, and not of the Company's major shareholders since he is a director of companies in which entities associated with the Lundin family hold ten percent or more of the share capital and voting rights.

5 Lukas H. Lundin is a member of the Lundin family that holds, through a family trust, Lorito Holdings (Guernsey) Ltd. which holds 76,342,895 shares in the Company and Zebra Holdings and Investment (Guernsey) Ltd. which holds 10,844,643 shares in the Company.

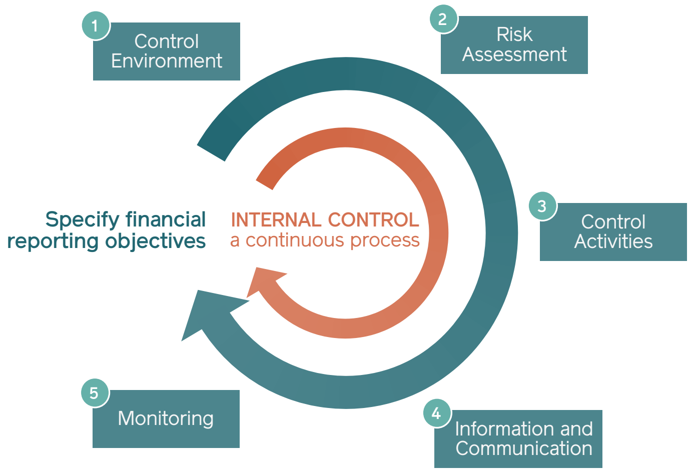
William A. Rand	Grace Reksten Skaugen	Magnus Unger	Cecilia Vieweg
Director	Director, CR/HSE representative	Director	Director
2001	2015	2001	2013
1942	1953	1942	1955
Commerce degree (Honours Economics) from McGill University, Law degree from Dalhousie University, Master of Laws degree in International Law from the London School of Economics and Doctorate of Laws from Dalhousie University (Hon.).	MBA from the BI Norwegian School of Management, Bachelor of Science (Honours Physics) and Doctorate in laser physics from Imperial College of Science and Technology at the University of London.	MBA from the Stockholm School of Economics.	Master of Law from the University of Lund.
William A. Rand practised law in Canada until 1992, after which he co-founded an investment company and pursued private business interests.	Grace Reksten Skaugen has been a director of Corporate Finance with SEB Enskilda Securities in Oslo and has worked in several roles within private equity and venture capital in Oslo and London. She is currently a member of HSBC European Senior Advisory Council and Norway country advisor to Proventus AB.	Magnus Unger was an Executive Vice President within the Atlas Copco group during 1988–1992.	Cecilia Vieweg is General Counsel and member of the Executive Management of AB Electrolux since 1999. She previously worked as legal advisor in senior positions within the AB Volvo Group and as a lawyer in private practice.
Member of the board of Lundin Mining Corp., Denison Mines Corp., New West Energy Services Inc. and NGEx Resources Inc.	Chair of the board of NAXS Nordic Access Buyout A/S, Deputy Chair of the board of Orkla ASA and member of the board of Investor AB, founder and Chair of the Norwegian Institute of Directors and council member of the International Institute for Strategic Studies in London.	–	Member of the board of the Association of Swedish Engineering Industries and the Swedish Securities Council.
117,441	–	250,000	3,500
9/9	4/5[7]	9/9	9/9
6/6	–	3/3[8]	–
3/3	–	2/2[8]	3/3
SEK 725,000	SEK 250,000	SEK 600,000	SEK 650,000
Nil	Nil	SEK 150,000	Nil
Yes	Yes	Yes[3]	Yes
No[6]	Yes	Yes	Yes

6 William A. Rand is in the Nomination Committee's and the Company's opinion not deemed independent of the Company's major shareholders since he holds directorships in companies in which entities associated with the Lundin family hold ten percent or more of the share capital and voting rights.
7 Grace Reksten Skaugen is a member of the Board as of 7 May 2015.
8 Magnus Unger was a member of the Compensation Committee until 7 May 2015 and is a member of the Audit Committee as of 7 May 2015.
9 The remuneration paid during 2015 relates to fees paid for work performed outside of the directorship. For information regarding a permitted deviation approved by the Board in relation to this remuneration, see Note 23 on pages 113–114.

Asbjørn Larsen declined re-election at the AGM on 7 May 2015. During the period 1 January to 7 May 2015, he attended all four Board meetings held and all three Audit Committee meetings held. For additional information regarding Asbjørn Larsen, please see the Company's Annual Report 2014, and for remuneration paid to him, please refer to Note 23 on pages 113–114.

Internal Control and Audit

The objective for internal control over financial reporting is to provide reliable and relevant information in compliance with applicable laws and regulations



Introduction

The responsibility of the Board of Directors for internal control over financial reporting is regulated by the Swedish Companies Act, the Swedish Annual Accounts Act and the Swedish Code of Governance. The information in this report is limited to internal control regarding financial reporting and describes how internal control over the financial reporting is organised, but does not comment on its effectiveness.

Internal control system for financial reporting

An internal control system for financial reporting 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 internal control system for financial reporting consists of five key objectives, as described below and in the section on risk management on pages 34—37. The key objectives are based on the principles of the Committee of Sponsoring Organisation (COSO) that set out the guiding principles of internal control. The internal control of financial reporting is a continuous evaluation of the risks and control activities within the Company. The evaluation work is an ongoing process that involves internal and external benchmarking.

Joint operations audits

The oil and gas industry is based upon companies sharing costs and risks through joint operations arrangements. One joint operations partner is appointed to be the operator and is responsible for managing the operations, including the joint operations accounting, on behalf of the joint operations partners. Joint operations partners have audit rights over the joint operations to ensure that accounting procedures are followed and costs are incurred in accordance with the joint operating agreement.

Control environment 1

The control environment of Lundin Petroleum encompasses the "tone at the top" provided by the Board and it influences the Company's governance processes and the risk and control consciousness of its employees. The Board is responsible for ensuring that the Company has an adequate internal control system. The Audit Committee assists the Board to ensure that the Company has formalised routines that support the principles for financial reporting and internal controls, and that the Company's financial reports are produced in accordance with legislation, applicable accounting standards and other requirements for listed companies.

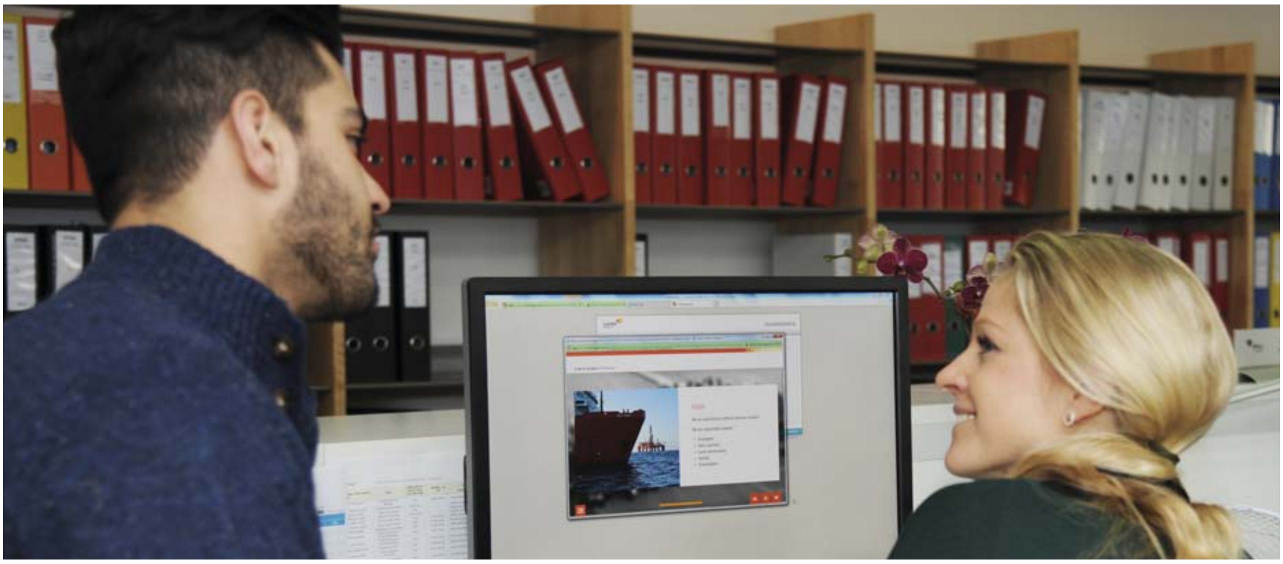
By setting the objectives for the Company, the Board provides the management with the ability to set up the strategy and the performance goals for the Company. The internal control processes are structured accordingly to identify risk events that could arise in the context of financial reporting, compliance and the Company's operational objectives.

Risk assessment 2

When risks are identified and evaluated, control activities are implemented to minimise the risks in the financial reporting process. Conclusions of the risk assessment are reported to the Group Risk Manager, Group management and the Board through the Audit Committee. Identified risk areas are mitigated through business processes with incorporated risk management, policies and procedures, segregation of duties and delegation of authority.

Control activities 3

The Group management presents recommendations to the Board, which then provides direction to ensure there is a programme to select and develop control activities that contribute to mitigate risks to acceptable levels. The Investment Committee oversees the Company's investment decisions through the annual budget process, supplementary budget requests submitted during the year and makes recommendations to the Board as required. The finance department of each company within the



Group is responsible for the regular analysis of the financial results and for reporting thereon to the finance department at Group level. The Company also selects and develops general control activities with the support of information systems improvement and development of control activities following a “Three lines of defence” approach.

Information and communication 4

The Company communicates financial information internally, including objectives and responsibilities for internal control, which are necessary to support the functioning of internal controls. Communicating relevant information throughout all levels of the Company in a complete, correct and timely manner is an important part of the financial internal control framework. Internal policies and procedures relating to the financial reporting, such as the Authorisation Policy, the Company Accounting Principles Manual and the Finance and Accounting Manual, are updated and communicated on a regular basis to all affected employees and are accessible through the information system network.

Monitoring 5

The Board’s measures for monitoring that the internal control related to financial reporting and reporting to the Board function adequately include among others; ensuring that relevant internal policies and procedures are in place and are respected, that regular meetings are held with Group management to follow-up on the financial status and activities of the Company, that internal and external audits are performed, that audit reports are reviewed and followed-up on, that continuous reporting is made to the Board and that the financial reporting is prepared in accordance with applicable rules and regulations and show a true and fair view of the financial status of the Company. These measures are implemented and continuously monitored under the direction of the Audit Committee, with the assistance of Group management at all levels of the Company, including the Company’s CFO. In this respect, the Internal Audit and the Company’s finance department monitor financial compliance with internal policies, procedures and other corporate policy documents. The Audit Committee monitors the efficiency of the internal auditing, internal control and financial reporting, reviews all interim and annual financial reports and reports regularly thereon to the Board.

Three lines of defence

1. **First line of defence – Local Operations**
   This is provided by local staff and management who own and manage risk and control through adequate design of internal control processes managerial and supervisory controls to ensure compliance with processes and to manage unexpected events. All employees in the Company are accountable for compliance with the policies and procedures within their areas of control and risk management.
2. **Second line of defence – Group Management**
   This is provided by the oversight functions within the Company, including amongst other financial control, risk management and information security. The Company’s policies, procedures, guidelines and management system constitute the framework to add value to the business with regard to risk and compliance.
3. **Third line of defence – Internal Audit**
   This is provided by internal audit, providing the Board and Group management independent assurance regarding the Groups internal control, risk management and governance.

Internal audit 12

Internal Audit provides independent and objective appraisal of the control environment thereby adding value to the organisation through a continuous improvement process. The internal audit is concerned with the adequacy and effectiveness of systems of control and whether they are managed, maintained, complied with and function effectively. The Group Internal Audit Manager has a primary reporting line to Lundin Petroleum’s Audit Committee.

Internal Audit performs regular audits according to a risk based internal audit plan which is approved by the Audit Committee twice per year. In addition, the internal audit coordinates and monitors joint operations audits that are undertaken by Lundin Petroleum.

Further, an important activity carried out by Internal Audit is to follow-up on the results of the previous years’ internal audits and risk assessments to ensure that the appropriate corrective measures have been implemented.

Stockholm, 7 April 2016

The Board of Directors of Lundin Petroleum AB (publ)

Auditor's report on the Corporate Governance Statement

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

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2015 on pages 50—69 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 8 April 2016

PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant
Lead Partner

Johan Malmqvist
Authorised Public Accountant

Financial Report

Firmly positioned as one of the strongest companies in the sector

> This combination of increasing production, falling cost of operations and minimal cash taxes, positions us strongly as a company to generate strong cash flow from our assets even at very low oil price levels

Mike Nicholson
Chief Financial Officer

Given the challenging times industry players are facing dominated by the sustained period of low oil prices, it has become more important than ever for companies to demonstrate that they have both the assets and the balance sheet to weather the strong headwinds. Lundin Petroleum remains well positioned to continue to deliver on both counts.

The first pillar of long-term financial strength for Lundin Petroleum is the cash flow generated by our assets. With four projects delivered and put on production in under twelve months, 2015 became the year when the foundation was laid for transformational growth, both in terms of production and cash flow. In fact, our 2015 production increased by 36 percent compared with 2014 levels and as we move into 2016 our production rate is expected to double compared with 2015 levels.

In parallel, as our production is increasing significantly, our cost of operations are forecast to fall to below USD 10 per barrel. Furthermore, as we have been investing significantly in our growth projects in Norway we have been able to accumulate USD 2 billion worth of tax pools. As a result, we do not expect to pay any cash taxes in Norway before the end of the decade when Johan Sverdrup will commence production, assuming oil prices stay below USD 60 per barrel.

This combination of increasing production, falling cost of operations and minimal cash taxes, positions us strongly as a company to generate strong cash flow from our assets even at very low oil price levels.

In addition, the Company maintains strong access to liquidity. Our reserve-based lending facility has been, and remains, the second pillar of our long-term financial strength. In early 2016 we were very pleased to successfully secure the refinancing of this facility with an initial committed amount of USD 4.3 billion from 23 international banks. Moreover, we were able to include an accordion option to allow us to secure further commitments from new or existing banks in the facility of up to USD 700 million. In March 2016, we secured additional commitments of USD 135 million under the reserve-based lending facility and also entered into a committed short-term revolving credit facility of USD 300 million.

During 2015, the Company also took the opportunity to put in place a two year exploration refund facility secured against our Norwegian exploration cash tax refunds. This currently provides additional committed liquidity of approximately USD 250 million.

Therefore, when we consider the strong cash flow generated from our assets, committed liquidity sources from our credit facilities and options we have to increase liquidity from existing and new sources of finance, Lundin Petroleum remains firmly positioned as one of the strongest companies in the sector to continue to fund growth projects, come out of this cycle stronger than ever and generate long-term sustainable value for all our stakeholders in the process.

Directors' Report

Lundin Petroleum AB (publ) Reg No. 556610-8055

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

The main business of Lundin Petroleum is the exploration for, the development of, and the production of oil and gas. Lundin Petroleum maintains a portfolio of oil and gas production assets and development projects in various countries with exposure to exploration opportunities.

The Group does not carry out any significant research and development. The Group maintains branches in some areas of operation. The Parent Company has no foreign branches.

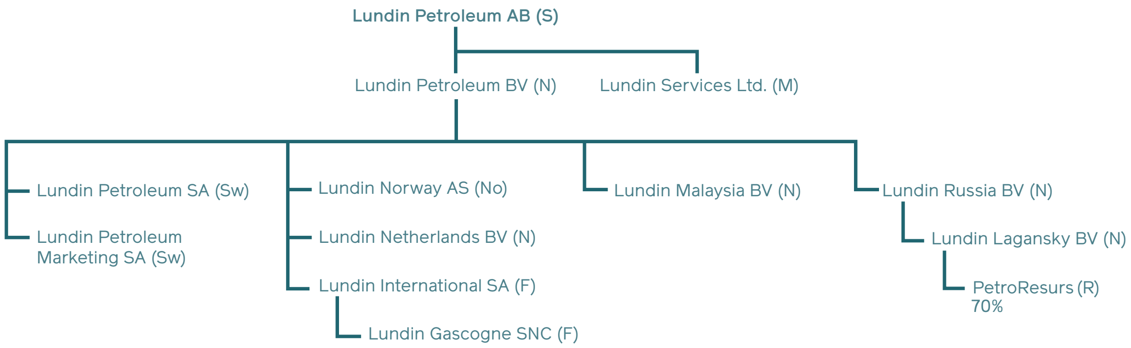
Changes in the Group

There have been no significant changes to the Group for the financial year 2015.

Operational review

Lundin Petroleum has exploration and production assets focused upon two core areas, Norway and Malysia, as well as assets in France, the Netherlands and Russia. Norway continues to represent the majority of Lundin Petroleum's operational activities with production for the financial year of 2015 accounting for 64 percent of total production and with 95 percent of Lundin Petroleum's total reserves.

Corporate Structure as at 31 December 2015



Jurisdiction			
(F)	France	(R)	Russia
(M)	Malaysia	(S)	Sweden
(N)	Netherlands	(Sw)	Switzerland
(No)	Norway		

Note: The Group structure shows significant subsidiaries only and excludes subsidiaries holding the Company's interests in Indonesia. See the Parent Company Financial Statements Note 8 for full legal names and all subsidiaries.

Reserves and resources

Lundin Petroleum has 685 million barrels of oil equivalent (MMboe) of proven plus probable reserves as at 31 December 2015 as certified by an independent third party. Lundin Petroleum also has a number of discovered oil and gas resources which classify as contingent resources and are not yet classified as reserves. The best estimate contingent resources net to Lundin Petroleum amount to 386 MMboe as at 31 December 2015.

Production

Production for the year amounted to 32.3 thousand barrels of oil equivalent per day (Mboepd) (compared to 23.8 Mboepd over the same period in 2014) and was comprised as follows:

Production in Mboepd	2015	2014
Crude oil		
Norway	18.6	15.0
France	2.7	2.9
Malaysia	5.5	–
Total crude oil production	**26.8**	17.9
Gas		
Norway	2.1	2.6
Netherlands	1.8	1.9
Indonesia	1.6	1.4
Total gas production	**5.5**	5.9
Total production		
Quantity in Mboe	**11,790.3**	8,688.8
Quantity in Mboepd	**32.3**	23.8

Note: The comparatives have been restated following the sale of the Russian onshore assets in 2014.

Norway

Production

Production in Mboepd	WI[1]	2015	2014
Alvheim	15%	7.8	9.6
Volund	35%	4.9	7.4
Bøyla	15%	2.1	–
Brynhild	90%	4.2	0.1
Edvard Grieg	50%	1.4	–
Gaupe	40%	0.3	0.5
Quantity in Mboepd		**20.7**	17.6

[1] Lundin Petroleum's working interest (WI)

The Edvard Grieg field commenced production on 28 November 2015 with average production for the year of 1,400 barrels of oil equivalent per day (boepd). The field initially started production from one well with the second and third production wells commencing production in December 2015 and January 2016 respectively. The production performance from the first three wells has exceeded expectations with gross well production capacity in excess of 90,000 boepd. The facilities uptime performance has also been exceptional with an average uptime in excess of 95 percent achieved so far. Nevertheless, as per the reservoir management plan the 2016 production levels will be held below the well potential until sufficient water injection wells become available to balance production levels with available injection. Additionally, the average facilities uptime during 2016 is expected to be lower than what has been achieved to date, as certain downtime is expected in relation to remaining commissioning activities and the tie-in of the Ivar Aasen field during the fourth quarter of 2016. The next two development wells are being drilled as water injection wells with the fourth production well expected to be drilled and put into production during the second half of 2016 when the field is forecast to achieve its gross plateau production of 100,000 boepd.

Production from the Alvheim field during the year was marginally below forecast. Production levels have been somewhat restricted due to maintenance work on one of the gas compressors on the Alvheim FPSO during the early part of the year and also during the fourth quarter 2015. Alvheim's production level has also been negatively impacted by two wells being shut-in for part of the year as a result of near-by infill drilling operations and well integrity issues respectively. The reservoir on the Alvheim field continues to perform well and the Alvheim FPSO uptime also continues to perform at a very high level with an average uptime of 94 percent for 2015.

The drilling of two new infill wells on Alvheim was successfully completed by the Transocean Winner rig during the year with production start-up in April 2015 and November 2015. During the year, the Transocean Winner rig also worked-over the Alvheim KB3 well which re-commenced production in May 2015. The Transocean Winner rig completed the drilling of the A5 multi-lateral infill well during the first quarter of 2016 with production expected to commence in mid-2016. The development of the Viper/Kobra discoveries was sanctioned by the Alvheim partnership in December 2014 with drilling of the two production wells having commenced in the first quarter of 2016 with an expected production start-up in late 2016. During the fourth quarter 2015, the Alvheim partnership signed a new rig contract to commence in December 2016 with the objective of drilling further infill development wells and a near-field exploration well in the Alvheim area. The cost of operations for the Alvheim field, excluding well intervention work, was below USD 5 per barrel during the year.

The Volund field production during the year was slightly below forecast due to liquid throughput and gas compression constraints on the Alvheim FPSO. Further infill opportunities have been identified on the Volund field and at least two further infill wells are planned to be drilled in 2017. The planned infill drilling on Volund has led to 3 MMboe of net incremental reserves being booked as at 31 December 2015. The cost of operations for the Volund field during the year was below USD 4 per barrel.

The Bøyla field production during the year was slightly below forecast due to gas compression constraints on the Alvheim FPSO. The Bøyla field commenced production in January 2015 from one production well with the water injection well coming on-line in March 2015. The third and final development well came onstream in August 2015 with subsequent plateau production being achieved.

Initial production from the Brynhild field, which commenced in December 2014, was achieved from two production wells with the third and final production well having been put on production in late August 2015. One further water injection well has also been completed. As previously disclosed, Brynhild production guidance was revised downward during the year due to poor facilities uptime on the Haewene Brim FPSO and poorer than anticipated reservoir performance. Production during the year met the revised guidance.

While facilities uptime has improved significantly through the year a cautious approach has been assumed with regards to uptime performance assumptions for the 2016 production guidance. Water injection commenced in early 2016 through the water injection well and further water injection capacity will be available later in 2016 by converting one of the oil producers into a water injection well. Brynhild reservoir performance indicates reduced connected hydrocarbon volumes compared to the original estimate and this has resulted in gross ultimate recoverable reserves in Brynhild being reduced to 7.4 MMboe. Projections of Brynhild performance reflect both a reduced expectation on facilities performance and a revised reserve estimate.

Despite no remaining reserves being attributed to the Gaupe field, the field recommenced production in April 2015 and will produce intermittently subject to favourable economic conditions.

Development

Edvard Grieg

The Edvard Grieg field commenced production on 28 November 2015. The offshore commissioning and hook-up activities were completed ahead of schedule and the flotel Safe Boreas left the Edvard Grieg facilities in December 2015.

A number of milestones were achieved during the year. In April 2015, Kværner completed the construction of the topsides on time and on budget. The offshore installation of the topsides on the pre-installed jacket was successfully completed during July 2015 by the Heerema heavy lift vessel Thialf. The 94 km gas pipeline was installed in 2014 and the 43 km oil pipeline to the Grane oil export system was successfully installed during the year. Development drilling commenced during the third quarter of 2014 with the Rowan Viking jack-up rig with the first three production wells successfully put into production. The Rowan Viking rig is scheduled to drill another 11 development wells and is anticipated to remain on location up to end 2017.

In August 2015, an appraisal well in the southern part of the Edvard Grieg field was successfully completed. The well encountered a 66 metres gross oil column of pebbly sandstone with medium to good reservoir quality. The results from the appraisal well have resulted in gross ultimate recoverable reserves for Edvard Grieg increasing from 187 to 207 MMboe.

Ivar Aasen

Ivar Aasen is being developed with a steel jacket platform with the topside facilities consisting of a living quarter and drilling facilities with oil, gas and water separation and onward export to the Edvard Grieg platform for final processing and pipeline export. The steel jacket was successfully installed in June 2015 and the pipelines installation between Ivar Aasen and Edvard Grieg was completed during the third quarter of 2015. The topside construction is 94 percent complete as of February 2016 with mechanical completion expected during the first half of 2016. The topsides installation is scheduled during the summer of 2016. Ivar Aasen is forecast to come onstream during the fourth quarter of 2016.

Johan Sverdrup

The Johan Sverdrup project is progressing on schedule with a significant number of contracts now awarded, resulting in estimated total project costs being reduced compared to the original estimates. Phase 1 construction work commenced during the year.

In February 2015, the Johan Sverdrup partnership submitted a Plan for Development and Operations (PDO) for Phase 1 to the Norwegian Ministry of Petroleum and Energy. The Norwegian Parliament endorsed the PDO in June 2015 and the Norwegian Ministry of Petroleum and Energy approved the PDO in August 2015.

At the time of submitting the Phase 1 PDO in February 2015, the capital expenditure for Phase 1 was estimated at gross NOK 123 billion (nominal). With most of the major contracts now awarded, the latest cost estimate has been reduced to NOK 108.5 billion (nominal), a reduction of approximately 12 percent. The Phase 1 development is scheduled to start production in late 2019. The original gross production capacity for Phase 1 was estimated at 380,000 bopd. However, debottlenecking measures have been approved which will increase the design capacity above this level. It is anticipated that 35 production and injection wells will be drilled to support Phase 1 production, of which 17 wells will be drilled prior to first oil with a semi-submersible rig to facilitate Phase 1 plateau production.

Development

Licence	Field	WI	Operator	PDO Approval	Estimated gross reserves	Production start achieved/expected	Gross plateau production rate expected
PL338	Edvard Grieg	50%	Lundin Petroleum	June 2012	207 MMboe	28 November 2015	100.0 Mboepd
Various	Ivar Aasen	1.385%	Det norske	May 2013	183 MMboe	Q4 2016	65.0 Mboepd
Various	Johan Sverdrup	22.6%	Statoil	August 2015	1.65 – 3.0 billion boe	Late 2019	550.0 – 650.0 Mbopd

In parallel with the PDO submission, the majority of the Johan Sverdrup partnership also submitted a unit operating agreement for the Johan Sverdrup field with a working interest of 22.12 percent to Lundin Petroleum. Due to the lack of agreement on the unitisation of the field it was left to the Minister of Petroleum and Energy to determine the partners' final working interest within the unitisation agreement. On 2 July 2015, the Minister of Petroleum and Energy announced the final working interest apportionment for the Johan Sverdrup field which resulted in Lundin Petroleum's working interest being increased to 22.60 percent from 22.12 percent.

The PDO for Phase 1 involves a field centre, consisting of one processing platform, one riser platform, one wellhead platform with drilling facilities and one living quarter platform. The platforms will be installed on steel jackets in 120 metres of water and will be bridge-linked. A significant number of contracts have already been awarded for the development of Phase 1. Notably, all four topside contracts have been awarded, with EPC type contracts being awarded to Aibel (drilling platform) and Kværner/KBR (living quarters and utilities) whilst a fabrication contract has been awarded to Samsung Heavy Industries (riser platform and processing platform) with Aker Solutions being contracted for the procurement and engineering of the riser and processing platforms. The contract for the heavy lift installations for three of the topsides has been awarded to Allseas and contracts for the construction of three of the steel jackets for the riser, drilling and processing platforms have been awarded to Kværner, whilst the contract for the jacket for the utility and living quarter platform has been awarded to Dragados Offshore. Odfjell Drilling has been awarded contracts for drilling of the wells. The pre-drilling template has been installed offshore and drilling commenced in March 2016.

The PDO for Phase 1 also outlines certain concepts for the full field development involving an expected full field gross plateau production level of between 550,000 and 650,000 bopd and gross reserves of between 1.65 to 3.0 billion boe with 95 percent of the reserves being oil. Phase 1 is expected to start production in late 2019.

The full field development costs have also been revised down from between NOK 170 and 220 billion (real 2015) to between NOK 160 and 190 billion (real 2015), due to market savings relating to Phase 1 and optimisation of the Phase 2 concept. The concept selection for Phase 2 is expected to be made during the fourth quarter 2016 and a PDO to be submitted during the fourth quarter 2017. Phase 2 is expected to start production in 2022.

Appraisal

During the year, Lundin Petroleum has completed two Alta appraisal wells in the southern Barents Sea.

The Alta-2 appraisal well, 7220/11-2, and sidetrack well 7220/11-2 A, were drilled on the western part of the Alta discovery, approximately 6.5 km southwest of the discovery well 7220/11-1. The Alta-2 well encountered a 50 metres thick gas column in varying reservoir quality. The sidetrack well was drilled a further 330 metres to the west and encountered moveable oil in improving reservoir quality and tested a maximum flow rate of 860 bopd and 0.65 million cubic feet of gas per day. Both the vertical well and the sidetrack proved pressure communication with the discovery well 6.5 km to the northeast.

The Alta-3 appraisal well, 7220/11-3, and sidetrack well 7220/11-3 A, were drilled on the eastern part of the Alta discovery, approximately 4 km south of the discovery well 7220/11-1 and 3 km northeast of the Alta-2 appraisal well. The Alta-3 well encountered a 120 metres thick hydrocarbon bearing interval, of which 45 metres in oil, in rocks of good to very good reservoir quality. The sidetrack well, which was drilled 400 metres east of the Alta-3 well, encountered a gross hydrocarbon column of 74 metres of which 44 metres was oil in reservoir rocks of varying quality. The well proved pressure communication with the discovery well and with the Alta-2 well. Due to time constraints on the rig it was not possible to test the Alta-3 well.

In 2016, Lundin Petroleum is planning to re-enter the Alta-3 appraisal well to deepen the well and perform a well test.

2015 appraisal well programme

Licence	Operator	WI	Well	Spud Date	Status
PL609	Lundin Petroleum	40%	7220/11-2 & 7220/11-2 A	March 2015	Completed June 2015
PL609	Lundin Petroleum	40%	7220/11-3 & 7220/11-3 A	June 2015	Completed September 2015
PL338	Lundin Petroleum	50%	16/1-23 S	June 2015	Completed August 2015

Exploration

2015 exploration well programme

Licence	Well	Spud Date	Target	WI	Operator	Result
Utsira High						
PL338C	16/1-24	February	Gemini	50%	Lundin Petroleum	Dry
PL674BS	26/10-1	January	Zulu	35%	Lundin Petroleum	Gas discovery – non-commercial
PL359	16/4-9 S	June	Luno II North	50%	Lundin Petroleum	Oil discovery
PL338C	16/1-25 S	October	Rolvsnes	50%	Lundin Petroleum	Oil discovery
Southern Barents Sea						
PL708	7130/4-1	November	Ørnen	40%	Lundin Petroleum	Dry
PL609	7220/6-2	October	Neiden	40%	Lundin Petroleum	Suspended
Other Areas						
PL579	33/2-1	March	Morkel	50%	Lundin Petroleum	Oil discovery – non-commercial
PL734	10/4-1	June	Zeppelin	30%	Wintershall	Dry
PL700	6407/10-4	November	Lorry	40%	Lundin Petroleum	Dry

Lundin Petroleum has completed seven exploration wells in Norway during the year and has in addition suspended one well, in PL609, for re-entry during 2016. The Lorry well was completed in January 2016.

The drilling of the Zulu prospect in PL674BS encountered a 24 metres sand sequence containing gas. The Zulu gas discovery is viewed as being non-commercial.

The drilling of the Gemini prospect in PL338C located immediately to the west of the Edvard Grieg field failed to encounter any hydrocarbons and the well was plugged and abandoned as dry.

The Zeppelin prospect in PL734 in the southern North Sea was announced as dry in July 2015. The well, which was operated by Wintershall, encountered a Vestland Group reservoir but was dry.

The Morkel prospect in PL579 in the northern North Sea was announced as a non-commercial oil discovery in June 2015. The well was drilled around 40 km northwest of the Snorre field and encountered Triassic sandstone over a 173 metres reservoir interval with low reservoir quality and poor production characteristics.

The drilling of the Luno II North prospect in PL359, 15 km south of Edvard Grieg, was completed in August 2015 and resulted in an oil discovery. The well encountered a 23 metres gross oil column in Jurassic/Triassic conglomeratic sandstone of reasonable quality. A production test was carried out and achieved a flow rate of 1,000 bopd. The Luno II North discovery is estimated to contain between 12 and 26 MMboe of gross contingent resources.

The drilling of the Neiden well in PL609 in the southern Barents Sea commenced in October 2015. Due to the rig being restricted in terms of operating in the Barents Sea during the winter months, the well had to be suspended in November 2015 without reaching reservoir depth. The well is planned to be re-entered in 2016 to complete the drilling operations.

In December 2015, the Rolvsnes prospect in PL338C just south of the Edvard Grieg field was announced as an oil discovery with estimated gross contingent resources of between 3 and 16 MMboe. The discovery was made in granitic basement and the well flow tested oil at 265 bopd. There remains significant resource upside including potential to find a more extensive fracture network and secondary recovery potential. Including this prospective upside potential, the total gross resource estimate is between 10 and 46 MMboe.

The Ørnen exploration well in PL708 drilled in the eastern Barents Sea, was completed in December 2015 as dry. The well encountered three reservoir horizons with minor non-commercial gas volumes encountered in the Lower Carboniferous sandstones. The well was plugged and abandoned as dry.

In January 2016, the Lorry well in PL700 in the Norwegian Sea was announced as dry. The well failed to encounter the prognosed reservoir.

Lundin Petroleum will drill three exploration wells offshore Norway during 2016 targeting net unrisked prospective resources of approximately 250 MMboe. The Fosen prospect in PL544 (WI 40%) in the Utsira High, was completed as dry in March 2016. In addition to the Fosen well, the 2016 exploration campaign also consists of the Neiden re-entry in PL609 (WI 40%) and the Filicudi prospect in PL533 (WI 35%) just south of the Johan Castberg discovery in the southern Barents Sea.

Licence awards, transactions and relinquishments

In January 2015, the Ministry of Petroleum and Energy announced the licence awards in the 2014 APA licensing round. Lundin Petroleum was awarded eight licences of which six were awarded to Lundin Petroleum as operator.

In December 2015, Lundin Petroleum submitted licence applications to the Norwegian Ministry of Petroleum and Energy for blocks offered for licensing through the 23rd Licensing round. Licence awards are expected to be announced in the summer of 2016.

In January 2016, the Ministry of Petroleum and Energy announced the licence awards in the 2015 APA licensing round. Lundin Petroleum was awarded four licences of which two were awarded to Lundin Petroleum as operator.

During the year, Lundin Petroleum farmed out 30 percent in PL338C (WI 50% after farm-out), 30 percent in PL544 (WI 40% after farm-out), 75 percent in PL006C (WI 0% after farm-out) and 30 percent in PL410 (WI 52.352% after farm-out) to Lime Petroleum Norway. During the year, licences PL490, PL641, PL646, PL639, PL584 and PL546 have been relinquished and Lundin Petroleum has withdrawn from PL583 and assumed operatorship of PL533, which is situated immediately to the west of the Alta discovery and on trend with the recent Castberg discovery in the southern Barents Sea. Certain of the above transactions and relinquishments remain subject to governmental approvals.

In October 2015, Lundin Petroleum completed the acquisition from EnQuest Norge of a 35 percent operated working interest in PL758 and PL800.

South East Asia

Malaysia

Production in Mboepd	WI	2015	2014
Bertam	75%	**5.5**	–

Peninsular Malaysia

Production levels from the Bertam field on Block PM307 (WI 75%) during the year were slightly below forecast. The Bertam field achieved first oil in April 2015, commencing production from four pre-drilled wells. Since production start-up, another seven wells have been completed and put onstream with the field producing from 11 wells as of mid-October 2015 with excellent uptime of 98 percent from the Bertam FPSO.

The development wells drilled to date on the Bertam field indicate that the western part of the field is structurally deeper than originally modelled whilst the eastern side of the field is structurally higher compared to the original model. The updated structural model has led to some changes in the development drilling sequence and targets of the later wells. In October 2015, the partnership drilled the successful Bertam-3 appraisal well which confirmed additional resources in the northeastern part of the field. A long-reach horizontal development well is currently being drilled into the Bertam-3 area from the Bertam wellhead platform and will be put into production in the second quarter of 2016. 11 wells are currently in production. The Bertam field is estimated to contain gross remaining reserves, as at 31 December 2015, of 14.3 MMboe. The project was completed safely, on schedule and on budget.

In October 2015, Lundin Petroleum completed the drilling of the Mengkuang exploration well 75 km northwest of the Bertam field on Block PM307. The well made a small non-commercial gas discovery with 9 metres of high quality reservoir sands.

During the year, Lundin Petroleum was assigned JX Nippon's equity of 40 percent in Block PM308A taking Lundin Petroleum's equity to 75 percent. Lundin Petroleum subsequently drilled the Selada prospect straddling Blocks PM307 (WI 75%) and PM308A (WI 75%), however the well failed to encounter any hydrocarbons and the well was plugged and abandoned as dry.

Sabah, East Malaysia

Lundin Petroleum completed the drilling of the Imbok well on Block SB307/308 (WI 65%) in early January 2016. The well encountered only oil shows in Miocene sands and was plugged and abandoned as dry. Following the Imbok well, the rig was moved to drill the Bambazon prospect, also on Block SB307/308, which encountered 15 metres of net reservoir pay with oil shows. However, no moveable oil was recovered from sampling and the well was plugged and abandoned as dry. The West Prospero rig subsequently moved to the Maligan prospect on Block SB307/308 and whilst gas shows were encountered, the well was plugged and abandoned as dry.

Farm-out agreements

Lundin Petroleum signed a farmout agreement with Dyas in December 2015 whereby Lundin Petroleum has transferred a 20 percent working interest in Block SB307/308 (WI 65% after farm-out) and a 20 percent working interest in Block SB303 (WI 55% after farm-out), located offshore Sabah, East Malaysia. A 15 percent working interest has been transferred in Block PM328 (WI 35% after farm-out), located offshore Peninsular Malaysia.

Indonesia

Production in Mboepd	WI	2015	2014
Singa	25.9%	1.6	1.4

The production from the Singa field was substantially in line with forecast during the year. The gas demand was lower than normal during September and October 2015 due to excessive haze caused by forest fires in Indonesia, which has negatively impacted production levels during these months.

In October 2015, Lundin Petroleum announced the signing of a sale and purchase agreement to sell its business in Indonesia to PT Medco Energi Internasional TBK for a cash consideration of MUSD 22, with an effective date of 1 October 2015. The Indonesian assets include the non-operated interest in the producing Singa gas field and the operated interests in the South Sokang and Cendrawasih VII Blocks, as well as the joint study agreement in respect of the Cendrawasih VIII Block. Lundin Petroleum may also become entitled to certain contingent payments in respect of the Singa gas field and retains an option to receive a future interest in the Cendrawasih Blocks. Completion of the transaction is subject to Indonesian governmental approval.

Continental Europe

Production

Production in Mboepd	WI	2015	2014
France			
– Paris Basin	100%[1]	2.3	2.5
– Aquitaine	50%	0.4	0.4
Netherlands	Various	1.8	1.9
		4.5	4.8

[1] Working interest in the Dommartin Lettree field 42.5 percent

France

Production levels during the year from France were substantially in line with forecast. Good production performance has been achieved from certain fields in the Aquitaine Basin following the completion of workover activities, which has been offset by a slight underperformance from the Paris Basin production levels. As a precautionary measure, one of the production flowlines on the Villeperdue field in the Paris Basin has been shut-in since August 2015 due to a failed pressure test. In September, the majority of the production reliant upon the shut-in flowline was re-routed to a water injection flowline and thus most of the production has now resumed. In the Aquitaine Basin, three fields have been shut-in since July 2015 due to a pipeline failure. Trucking operations have commenced and will remain in place for the duration of 2016.

The construction of onshore facilities and the drilling and completion of two development wells on the Vert la Gravelle re-development project in the Paris Basin have been finalised and the wells have commenced production according to expectations.

The Netherlands

Production from the Netherlands was ahead of forecast during the year due to good production performance from the new Slootdorp 6 and 7 wells (WI 7.2325%).

The K5-A5 development well, within the K4/K5 unit (WI 1.216%), was successfully drilled in 2014 and commenced production in May 2015. The E17-A5 (WI 1.20%) development well has been successfully drilled and completed during the year and commenced production in July 2015. The Slootdorp-6 and Slootdorp-7 onshore wells have both been completed and put into production in July 2015. The K5-A6 development well, within the K4/K5 unit (WI 1.216%), was drilled during the year, however the reservoir was found to be depleted and the well has been plugged and abandoned.

The Langezwaag-2 exploration well on the Gorredijk licence (WI 7.75%) was successfully drilled in 2014 and was put into production in January 2015.

In 2016, Lundin Petroleum will participate in two non-operated onshore exploration and two offshore development wells.

Russia

In the Lagansky Block (WI 70%) in the northern Caspian a significant oil discovery, Morskaya, was made in 2008 and is estimated to contain gross contingent resources of 157 MMboe. In May 2015, Lundin Petroleum announced that Rosnedra, the Russian licensing authorities, had issued a production licence for the Morskaya field located within the Lagansky Block.

Corporate responsibility

As this was a very active year for Lundin Petroleum from an operational point of view, Lundin Petroleum put a strong emphasis on responsible and safe operations.

Management and personnel were required to follow a Corporate Responsibility e-learning course, in order to reinforce their understanding of their respective roles and responsibilities within the Group. In the process of expanding and communicating Lundin Petroleum's corporate responsibility commitment, the Group issued a Contractor Declaration to ensure that contractors work in accordance with the Company's requirements in relation to health, safety and environment (HSE), labour standards, human rights and anti-corruption.

The high level of activities in 2015, in particular in relation to the construction completion and start of production of the two significant fields, Edvard Grieg in Norway and Bertam in Malaysia, resulted in a Lost Time Incident rate of 1.76 per million hours worked and a Total Recordable Incident rate of 3.71. There were no serious personnel, process or environmental incidents throughout the year.

Financial review

Result

The net result for the financial year 2015 amounted to MUSD -866.3 (MUSD -431.9). The loss was mainly driven by lower oil prices, exploration and impairment costs and higher finance costs as a result of the strong US Dollar during the year generating a largely non-cash foreign exchange loss. The net result attributable to shareholders of the Parent Company for the year amounted to MUSD -861.7 (MUSD -427.2), representing earnings per share of USD -2.79 (USD -1.38).

Earnings before interest, tax, depletion and amortisation (EBITDA) for the year amounted to MUSD 384.7 (MUSD 671.3) representing EBITDA per share of USD 1.24 (USD 2.17). Operating cash flow for the year amounted to MUSD 699.6 (MUSD 1,138.5), representing operating cash flow per share of USD 2.26 (USD 3.68).

Revenue

Revenue for the year amounted to MUSD 569.3 (MUSD 785.2) and was comprised of net sales of oil and gas, change in under/over lift position and other revenue as detailed in Note 1.

Net sales of oil and gas for the year amounted to MUSD 521.0 (MUSD 745.0). The average price achieved by Lundin Petroleum for a barrel of oil equivalent amounted to USD 50.71 (USD 88.28) and is detailed in the following table. The average Dated Brent price for the year amounted to USD 52.39 (USD 98.95) per barrel.

Net sales of oil and gas for the year are detailed in Note 3 and were comprised as follows:

Sales Average price per boe expressed in USD	2015	2014
Crude oil sales		
Norway		
– Quantity in Mboe	5,939.4	5,183.3
– Average price per boe	*52.97*	*102.35*
France		
– Quantity in Mboe	971.4	1,028.7
– Average price per boe	*52.07*	*94.08*
Netherlands		
– Quantity in Mboe	1.2	1.1
– Average price per boe	*50.20*	*91.64*
Malaysia		
– Quantity in Mboe	1,455.6	–
– Average price per boe	*48.92*	–
Total crude oil sales		
– Quantity in Mboe	**8,367.6**	6,213.1
– Average price per boe	*52.16*	*100.98*

Sales Average price per boe expressed in USD	2015	2014
Gas and NGL sales		
Norway		
– Quantity in Mboe	745.7	1,080.8
– Average price per boe	*44.21*	*56.02*
Netherlands		
– Quantity in Mboe	633.3	687.9
– Average price per boe	*38.88*	*51.11*
Indonesia		
– Quantity in Mboe	527.7	457.2
– Average price per boe	*50.99*	*47.87*
Total gas and NGL sales		
– Quantity in Mboe	**1,906.7**	2,225.9
– Average price per boe	*44.31*	*52.83*
Total sales		
– Quantity in Mboe	**10,274.3**	8,439.0
– Average price per boe	*50.71*	*88.28*

Sales of oil and gas are recognised when the risk of ownership is transferred to the purchaser. Sales quantities in a period can differ from production quantities as a result of permanent and timing differences. Permanent differences arise as a result of paying royalties in kind as well as the effects from production sharing agreements. Timing differences can arise due to under/over lift of entitlement, inventory, storage and pipeline balances effects.

The change in under/over lift position amounted to a net credit of MUSD 25.6 (MUSD 23.4) in the year. There was an underlift of entitlement movement on the Norwegian producing fields during the year due to the timing of the cargo liftings compared to production.

Other revenue amounted to MUSD 22.7 (MUSD 16.8) for the year and included Bertam FPSO lease income, a quality differential compensation on Alvheim blended crude, tariff income from France and the Netherlands and income for maintaining strategic inventory levels in France.

Production costs

Production costs including inventory movements for the year amounted to MUSD 150.3 (MUSD 66.5) and are detailed in the table below.

Production costs	2015	2014
Cost of operations		
– In MUSD	121.1	94.4
– In USD per boe	*10.27*	*10.86*
Tariff and transportation expenses		
– In MUSD	11.8	18.4
– In USD per boe	*1.00*	*2.12*
Royalty and direct production taxes		
– In MUSD	3.5	3.6
– In USD per boe	*0.29*	*0.41*
Change in inventory position		
– In MUSD	-12.6	-0.8
– In USD per boe	*-1.07*	*-0.09*
Other		
– In MUSD	26.5	-49.1
– In USD per boe	*2.25*	*-5.65*
Total production costs		
– In MUSD	**150.3**	66.5
– In USD per boe	*12.74*	*7.65*

Note: USD per boe is calculated by dividing the cost by total production volume for the period.

The total cost of operations for the year was MUSD 121.1 (MUSD 94.4). The year included costs of MUSD 7.3 associated with well intervention work on the Alvheim field and MUSD 7.7 on the Brynhild field, mainly in relation to its share of the replacement cost of the mooring lines and other necessary work on the FPSO facilities. The total cost of operations excluding operational projects amounted to MUSD 102.7 (MUSD 72.3). The increase compared to last year is attributable to the contribution to the operating costs of the Brynhild, Bøyla, Bertam and Edvard Grieg fields in 2015, partly offset by the impact of the stronger US Dollar on the funding of non-US Dollar denominated expenditures in the year.

The cost of operations per barrel including operational projects amounted to USD 10.27 (USD 10.86) for the year and excluding operational projects, the cost of operations amounted to USD 8.71 (USD 8.32) per barrel. The cost of operations per barrel amounts were in line with the guidance for 2015.

Tariff and transportation expenses for the year amounted to MUSD 11.8 (MUSD 18.4). The decrease compared to last year is mainly due to lower volumes from the Volund and Gaupe fields in the year, as well as the stronger US Dollar impact.

Other costs amounted to MUSD 26.5 (credit of MUSD 49.1) and mainly related to the operating cost share arrangement on the Brynhild field, whereby the amount of operating cost varies with the oil price until mid-2017. This arrangement is being marked-to-market against the oil price curve and due to the low oil price curve at the end of 2014, an asset was recognised as at 31 December 2014. This asset is being charged to the income statement over the remaining term of the arrangement.

Depletion and decommissioning costs

Depletion and decommissioning costs amounted to MUSD 260.6 (MUSD 131.6) and are detailed in Note 3. Depletion costs associated with oil and gas properties amounted to MUSD 258.0 (MUSD 131.6) at an average rate of USD 21.88 (USD 15.14) per barrel. The higher depletion costs for the year compared to last year is due to the contributions of the Brynhild, Bøyla, Bertam and Edvard Grieg fields, partly offset by lower production volumes on the Alvheim and Volund fields in the year.

Decommissioning costs charged to the income statement in the year amounted to MUSD 2.6 (MUSD —) and related to the increase in the site restoration estimate for the Gaupe field.

Depreciation of other assets amounted to MUSD 23.7 (MUSD —) for the year and related to the Bertam FPSO.

Exploration costs

Exploration costs expensed in the income statement for the year amounted to MUSD 184.1 (MUSD 386.4) and are detailed in Note 3. Exploration and appraisal costs are capitalised as they are incurred. When exploration drilling is unsuccessful, the capitalised costs are expensed. All capitalised exploration costs are reviewed on a regular basis and are expensed where their recoverability is considered highly uncertain.

During 2015, exploration costs relating to Norway of MUSD 146.5 were expensed and mainly related to the unsuccessful wells that were drilled in PL338C (Gemini), PL674BS (Zulu), PL579 (Morkel), PL734 (Zeppelin) and PL708 (Ørnen). In addition, exploration costs relating to Malaysia of MUSD 36.3 were expensed and associated with the unsuccessful wells drilled on Blocks PM308A (Selada), PM307 (Mengkuang) and SB307/308 (Imbok).

Impairment costs

Impairment costs charged to the income statement for the year amounted to MUSD 737.0 (MUSD 400.7). Due to the significantly lower forward oil price curve at the end of 2015 and a reserves downgrade, a non-cash pre-tax impairment charge of MUSD 526.0 was recognised against the Brynhild field in Norway. A deferred tax credit of MUSD 416.1 on the Brynhild field impairment was recognised in the income statement, yielding a net after tax charge of MUSD 109.9. On the Bertam field in Malaysia, a non-cash pre-tax impairment cost of MUSD 165.9 and an associated MUSD 24.6 deferred tax credit were recognised, mainly due to the lower forward oil price curve, yielding a net after tax charge of MUSD 141.3. Further impairments were taken on Malaysian and Indonesian exploration blocks amounting to MUSD 25.9 and MUSD 19.2 respectively.

General, administrative and depreciation expenses

The general administrative and depreciation expenses for the year amounted to MUSD 39.5 (MUSD 52.2), which included a charge of MUSD 7.1 (MUSD 8.9) in relation to the Group's long-term incentive plans (LTIP), see also Note 24. Fixed asset depreciation expenses for the year amounted to MUSD 5.2 (MUSD 4.8).

Finance income

Finance income for the year amounted to MUSD 7.4 (MUSD 1.8) and is detailed in Note 4. Interest income for the year amounted to MUSD 6.1 and included interest on the Norwegian exploration tax refund and on the Johan Sverdrup unitisation past cost settlement received during the fourth quarter of 2015.

Finance costs

Finance costs for the year amounted to MUSD 617.9 (MUSD 421.8) and are detailed in Note 5.

Interest expenses for the year amounted to MUSD 71.4 (MUSD 21.1) and represented the portion of interest charged to the income statement. An additional amount of interest of MUSD 40.2 (MUSD 36.6) associated with the funding of the development projects in Norway and Malaysia was capitalised in the year.

Net foreign exchange losses for the year amounted to MUSD 507.3 (MUSD 356.3). Foreign exchange movements occur on the settlement of transactions denominated in foreign currencies and the revaluation of working capital and loan balances to the prevailing exchange rate at the balance sheet date where those monetary assets and liabilities are held in currencies other than the functional currencies of the Group's reporting entities. The US Dollar strengthened against the Euro during the year resulting in a net foreign exchange loss on the US Dollar denominated external loan which is borrowed by a subsidiary using Euro as functional currency. In addition, the Norwegian Krone weakened against the Euro in the year, generating a net foreign exchange loss on an intercompany loan balance denominated in Norwegian Krone. A strengthening US Dollar currency has a positive overall value effect on the business as it increases the purchasing power of the US Dollar to purchase the currencies in which the Group incurs operational expenditure. Lundin Petroleum has hedged certain foreign currency operational expenditure amounts against the US Dollar. For the year, the net realised exchange loss on settled foreign exchange hedges amounted to MUSD 132.7 (MUSD 22.8).

The amortisation of the deferred financing fees amounted to MUSD 12.4 (MUSD 12.6) for the year and related to the expensing of the fees incurred in establishing the financing facilities, including the Norwegian exploration refund facility, over the period of usage of the facilities.

Loan facility commitment fees for the year amounted to MUSD 7.7 (MUSD 21.4) with the decrease compared to last year being due to the increased borrowings under the financing arrangements.

Income tax

The overall tax credit for the year amounted to MUSD 570.1 (MUSD 253.2).

The current tax credit for the year amounted to MUSD 280.6 (MUSD 419.7) which included MUSD 283.3 (MUSD 431.7) relating to the Norway exploration tax refund due to the significant level of development and exploration and appraisal expenditure in Norway in the year and the tax depreciation on development expenditure incurred in prior years. The current tax credit in Norway for the year is partly offset by the current tax charge relating to other Group operations.

The deferred tax credit for the year amounted to MUSD 289.5 (charge of MUSD 166.5), which is predominantly related to Norway. The deferred tax charge or credit arises primarily where there is a difference in depletion for tax and accounting purposes. A deferred tax credit of MUSD 440.7 in relation to the Brynhild and Bertam fields impairment charges was recognised in the fourth quarter of 2015.

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 and 78 percent. The effective tax rate for the year is affected by items which do not receive a full tax credit, such as the reported net foreign exchange loss and Malaysian and Indonesian impairment charges, and by the uplift allowance applicable in Norway for development expenditures against the offshore 51 percent tax regime.

Non-controlling interest

The net result attributable to non-controlling interest for the year amounted to MUSD -4.6 (MUSD -4.7) and related mainly to the non-controlling interest's share in a Russian subsidiary which is fully consolidated.

Balance sheet

Non-current assets

Oil and gas properties amounted to MUSD 4,015.4 (MUSD 4,182.6) and are detailed in Note 7.

Development and exploration and appraisal expenditure incurred for the year was as follows:

Development expenditure in MUSD	2015	2014
Norway	880.7	1,068.2
France	16.9	29.3
Netherlands	2.7	3.9
Indonesia	-1.1	-0.8
Malaysia	130.1	130.6
	1,029.3	1,231.2

An amount of MUSD 880.7 (MUSD 1,068.2) of development expenditure was incurred in Norway during the year, primarily on the Edvard Grieg, Brynhild, Ivar Aasen and Johan Sverdrup field developments. In Malaysia, MUSD 130.1 (MUSD 130.6) was incurred during the year on the Bertam field development.

An amount of MUSD 30.8 (MUSD 118.8) was incurred during the year on the Bertam FPSO facilities. This amount is not shown in the table above and has been capitalised as part of other tangible fixed assets.

Exploration and appraisal expenditure in MUSD	2015	2014
Norway	370.2	572.8
France	0.4	5.9
Indonesia	3.1	47.5
Malaysia	33.3	42.7
Russia	5.3	4.0
Other	1.5	1.6
	413.8	674.5

Exploration and appraisal expenditure of MUSD 370.2 (MUSD 572.8) was incurred in Norway during the year, primarily on the appraisal drilling of the Alta discovery in the southern Barents Sea and the Edvard Grieg southeast appraisal well, and on the drilling of nine exploration wells. In Malaysia, MUSD 33.3 (MUSD 25.8) was incurred during the year principally on the Selada, Mengkuang and Imbok exploration wells.

Other tangible fixed assets amounted to MUSD 204.3 (MUSD 200.3) and included expenditures relating to the Bertam FPSO, are detailed in Note 8.

Financial assets amounted to MUSD 10.7 (MUSD 37.0) and are detailed in Note 9. Other shares and participations amounted to MUSD 4.1 (MUSD 4.7) and related to the shares held in ShaMaran Petroleum, which are reported at market value with any change in value being recorded in other comprehensive income. Brynhild operating cost share amounted to MUSD 5.5 (MUSD 31.0) and related to the long-term portion of the mark-to-market valuation of the arrangement where the share of the operating cost varies with the oil price.

Deferred tax assets amounted to MUSD 13.4 (MUSD 12.9) and are mainly related to Malaysia following the impairment of the Bertam field, resulting in the depreciable tax pool value being higher than the accounting book value. Previously recognised tax losses in the Netherlands have been released as the losses are not expected to be utilised against future tax liabilities using lower projected gas prices at the year end.

Current assets

Inventories amounted to MUSD 45.6 (MUSD 41.6) and included both well supplies mainly held in Norway and Malaysia and hydrocarbon inventories.

Trade and other receivables amounted to MUSD 159.3 (MUSD 163.5) and are detailed in Note 11. Trade receivables, which are all current, amounted to MUSD 35.2 (MUSD 40.3). Underlift position amounted to MUSD 26.5 (MUSD 3.6) and was mainly attributable to a net underlift position in Norway from the fields in the Greater Alvheim Area and the Edvard Grieg field. Joint operations debtors relating to various receivables amounted to MUSD 48.4 (MUSD 49.1). Prepaid expenses and accrued income amounted to MUSD 29.5 (MUSD 41.5) and represented prepaid operational and insurance expenditure. Brynhild operating cost share amounted to MUSD 14.7 (MUSD 21.6) and related to the short-term portion of the mark-to-market valuation of the arrangement, where the share of the operating cost varies with the oil price. Other current assets amounted to MUSD 5.0 (MUSD 7.4) and included VAT and other miscellaneous receivable balances.

Current tax assets amounted to MUSD 264.7 (MUSD 373.6) and mainly related to the Norwegian corporate tax refund in respect of 2015, which will be received in December 2016. The comparative amount mainly related to the Norwegian corporate tax refund in respect of 2014, which was received in December 2015.

Cash and cash equivalents amounted to MUSD 71.9 (MUSD 80.5). Cash balances are held to meet ongoing operational funding requirements.

Non-current liabilities

Financial liabilities amounted to MUSD 3,834.8 (MUSD 2,654.0) and are detailed in Note 14. Bank loans amounted to MUSD 3,858.0 (MUSD 2,690.0) and related to the outstanding loan under the Group's USD 4.0 billion revolving borrowing base facility. Capitalised financing fees relating to the establishment costs of the financing facilities, including the Norwegian exploration refund facility, amounted to MUSD 23.2 (MUSD 36.0) and are being amortised over the expected life of the financing facilities.

Provisions amounted to MUSD 379.9 (MUSD 288.0) and are detailed in Note 15. The provision for site restoration amounted to MUSD 368.2 (MUSD 274.1) and related to future decommissioning obligations. The provision has increased during the year due to additions relating to the Norwegian and Malaysian development projects. Farm-in payment amounted to MUSD 4.6 (MUSD 7.5) and related to a provision for payments towards historic costs based on production milestones on Block PM307, Malaysia.

Deferred tax liabilities amounted to MUSD 542.6 (MUSD 973.3), of which MUSD 407.9 (MUSD 844.8) related to Norway. The provision mainly arises on the excess of book value over the tax value of oil and gas properties. Deferred tax assets are netted off against deferred tax liabilities where they relate to the same jurisdiction. The main reason for the decrease since the prior year is due to the impairment of the Brynhild field, resulting in a deferred tax release of MUSD 416.1.

Derivative instruments amounted to MUSD 48.4 (MUSD 33.9) and related to the mark-to-market loss on outstanding foreign currency and interest rate hedges due to be settled after twelve months.

Other non-current liabilities amounted to MUSD 32.2 (MUSD 29.1) and mainly represent the full consolidation of a subsidiary in which the non-controlling interest entity has made funding advances in relation to LLC PetroResurs, Russia.

Current liabilities

Trade and other payables amounted to MUSD 349.9 (MUSD 491.4) and are detailed in Note 16. Deferred revenue amounted to MUSD 20.2 (MUSD —) and represented a payment advanced by the buyer under the Alvheim Blend oil sales contract at the year end. Once the buyer lifts the oil, the liability will be reversed and the revenue will be recognised in the income statement. Joint operations creditors and accrued expenses amounted to MUSD 271.5 (MUSD 383.5) and related mainly to the development and drilling activity in Norway and Malaysia. Other accrued expenses amounted to MUSD 23.7 (MUSD 46.1) and included an amount of MUSD 19.4 in the comparative amount which related to the work remaining to be done on the Bertam FPSO. The liability for the long-term incentive plans amounted to MUSD — (MUSD 28.2) following the payment of the outstanding amounts under the 2009 phantom option plan during the year. Other current liabilities amounted to MUSD 11.4 (MUSD 9.7).

Derivative instruments amounted to MUSD 66.1 (MUSD 101.4) and related to the mark-to-market loss on outstanding foreign currency and interest rate hedge contracts due to be settled within twelve months.

Current provisions amounted to MUSD 4.8 (MUSD 53.4). Included in the comparative period was MUSD 48.5 relating to a payment for historic costs on Block PM307, Malaysia, payable on first oil from the Bertam field, which was settled during the year. The liability was in Malaysian Ringgit and due to the strengthening of the US Dollar against the Malaysian Ringgit and a reduction in the agreed historic costs, the amount paid was MUSD 34.8 in US Dollar terms. An amount of MUSD 4.8 (MUSD 4.9) relating to the current portion of the provision for Lundin Petroleum's Unit Bonus Plan is included in current provisions.

Annual General Meeting

The Annual General Meeting will be held in Stockholm on 12 May 2016.

Board's Proposal for Remuneration to Group management

The intention of the Board of Directors is to propose to the 2016 AGM, the adoption of a Policy on Remuneration for 2016 that follows in essence the same principles as applied in 2015 and that contains similar elements of remuneration for Group management as the 2015 Policy on Remuneration being base salary, yearly variable salary, Long-term Incentive Plan (LTIP) and other benefits.

The Board will propose that the AGM also resolve on a long-term, performance-based incentive plan in respect of Group management and a number of key employees of Lundin Petroleum, which follows the same principles as LTIP 2014 and LTIP 2015 approved by the 2014 AGM and the 2015 AGM. LTIP 2016 gives the participants the possibility to receive shares in Lundin Petroleum subject to the fulfilment of a performance condition under a three year performance period commencing on 1 July 2016 and expiring on 1 July 2019. The performance condition, which is more onerous than under the LTIP 2014 and LTIP 2015, is based on the share price growth and dividends (Total Shareholder Return) of the Lundin Petroleum share compared to the Total Shareholder Return of a peer group of companies. At the beginning of the performance period, the participants will be granted awards free of charge which, provided that the performance condition is met, entitle the participant to be allotted free of charge shares in Lundin Petroleum at the end of the performance period.

The number of performance shares that may be allotted to each participant is limited to a value of three times the participant's annual gross base salary for 2016. The total number of performance shares that may be allotted under LTIP 2016 is 715,000, corresponding to approximately 0.2 percent of the total number of outstanding shares in Lundin Petroleum. The Board of Directors may reduce (including reduce to zero) allotment of performance shares at its discretion, should it consider the underlying performance not to be reflected in the outcome of the performance condition, for example, in light of operating cash flow, reserves, and health and safety performance.

The participants will not be entitled to transfer, pledge or dispose of the LTIP awards or any rights or obligations under LTIP 2016, or perform any shareholders' rights regarding the LTIP awards during the performance period.

The LTIP awards entitle participants to acquire already existing shares. The Board of Directors will consider means to secure the Company's expected financial exposure related to LTIP 2016. One method would be to enter into an equity swap agreement with a third party on terms in accordance with market practice, whereby the third party, in its own name, shall be entitled to acquire and transfer shares in Lundin Petroleum to the participants.

The details of the proposal are available on www.lundin petroleum.com.

Remuneration as per prevailing market conditions may further be paid to members of the Board of Directors for work performed outside the directorship.

In addition, as in previous years, the Board of Directors will further seek authorisation to deviate from the Policy on Remuneration in case of special circumstances in a specific case.

For a detailed description of the Policy on Remuneration applied in 2015, see the Corporate Governance report on pages 64–65. The remuneration to Board and Group management is detailed in Notes 23 and 24.

Share information

For the AGM resolution on the authorisation to issue new shares, see pages 14–15, Share and Shareholders.

Dividend

The Board of Directors propose that no dividend be paid for the year. For details of the dividend policy see pages 14–15, Share and Shareholders.

Proposed disposition of unappropriated earnings

The Board of Directors propose that the unrestricted equity of the Parent Company of MSEK 6,917.9, including the net result for the year of MSEK -78.1 be brought forward.

Changes in Board of Directors

At the 2016 AGM, all the current members of the Board of Directors will be proposed for re-election, except Willliam A. Rand who has declined to stand for re-election. Alex Schneiter will be proposed for election as a new member of the Board of Directors.

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, statement of comprehensive income, balance sheet, statement of cash flow, statement of changes in equity and related notes, which are presented in US Dollars.

The Parent Company's income statement, balance sheet, statement of cash flow, statement of changes in equity and related notes presented in Swedish Krona, see on pages 117–121.

Corporate Governance report

Lundin Petroleum has issued a Corporate Governance report which is separate from the Financial Statements. The Corporate Governance report is included in this document, on pages 50–70.

Consolidated Income Statement
for the Financial Year Ended 31 December

Expressed in MUSD	Note	2015	2014
Revenue	1	**569.3**	785.2
Cost of sales			
Production costs	2	-150.3	-66.5
Depletion and decommissioning costs		-260.6	-131.6
Depreciation of other assets	3	-23.7	–
Exploration costs	3	-184.1	-386.4
Impairment costs of oil and gas properties	3	-737.0	-400.7
Gross profit/loss		**-786.4**	-200.0
General, administration and depreciation expenses		-39.5	-52.2
Operating profit/loss		**-825.9**	-252.2
Result from financial investments			
Finance income	4	7.4	1.8
Finance costs	5	-617.9	-421.8
		-610.5	-420.0
Share of the result of joint ventures accounted for using the equity method		–	-12.9
Profit/loss before tax		**-1,436.4**	-685.1
Income tax	6	570.1	253.2
Net result		**-866.3**	-431.9
Attributable to:			
Shareholders of the Parent Company		-861.7	-427.2
Non-controlling interest		-4.6	-4.7
		-866.3	-431.9
Earnings per share – USD[1]	13.3	-2.79	-1.38
Earnings per share fully diluted – USD[1]	13.3	-2.79	-1.38

[1] Based on net result attributable to shareholders of the Parent Company.

Consolidated Statement of Comprehensive Income

for the Financial Year Ended 31 December

Expressed in MUSD	2015	2014
Net result	**-866.3**	-431.9
Items that may be subsequently reclassified to profit or loss		
Exchange differences foreign operations	-81.7	-196.3
Cash flow hedges	6.9	-148.7
Available-for-sale financial assets	-3.7	-15.3
Other comprehensive income, net of tax	**-78.5**	-360.3
Total comprehensive income	**-944.8**	-792.2
Attributable to:		
Shareholders of the Parent Company	-934.8	-766.7
Non-controlling interest	-10.0	-25.5
	-944.8	-792.2

Consolidated Balance Sheet
for the Financial Year Ended 31 December

Expressed in MUSD	Note	2015	2014
ASSETS			
Non-current assets			
Oil and gas properties	7	4,015.4	4,182.6
Other tangible fixed assets	8	204.3	200.3
Financial assets	9	10.7	37.0
Deferred tax assets	6	13.4	12.9
Total non-current assets		**4,243.8**	4,432.8
Current assets			
Inventories	10	45.6	41.6
Trade and other receivables	11	159.3	163.5
Current tax assets	6	264.7	373.6
Cash and cash equivalents	12	71.9	80.5
Total current assets		**541.5**	659.2
TOTAL ASSETS		**4,785.3**	5,092.0
EQUITY AND LIABILITIES			
Equity			
Share capital	13.1	0.5	0.5
Additional paid in capital		445.0	445.0
Other reserves	13.2	-509.3	-436.2
Retained earnings		427.3	849.4
Net result		-861.7	-427.2
Shareholders' equity		**-498.2**	431.5
Non-controlling interest		24.1	34.2
Total equity		**-474.1**	465.7
Liabilities			
Non-current liabilities			
Financial liabilities	14	3,834.8	2,654.0
Provisions	15	379.9	288.0
Deferred tax liabilities	6	542.6	973.3
Derivative instruments	17	48.4	33.9
Other non-current liabilities		32.2	29.1
Total non-current liabilities		**4,837.9**	3,978.3
Current liabilities			
Trade and other payables	16	349.9	491.4
Derivative instruments	17	66.1	101.4
Current tax liabilities	6	0.7	1.8
Provisions	15	4.8	53.4
Total current liabilities		**421.5**	648.0
Total liabilities		**5,259.4**	4,626.3
TOTAL EQUITY AND LIABILITIES		**4,785.3**	5,092.0
Pledged assets	19	422.9	1,126.8
Contingent liabilities and assets	20	–	–

Consolidated Statement of Cash Flow

for the Financial Year Ended 31 December

Expressed in MUSD	2015	2014
Cash flow from operations		
Net result	**-866.3**	-431.9
Adjustments for:		
Exploration costs	184.1	386.4
Depletion, depreciation and amortisation	286.9	136.2
Impairment of oil and gas properties	737.0	400.7
Current tax	-280.6	-419.7
Deferred tax	-289.5	166.5
Long-term incentive plans	15.2	14.5
Foreign currency exchange loss	374.6	333.1
Interest expense	71.3	21.1
Other	40.9	-5.1
Interest received	6.1	0.9
Interest paid	-110.1	-56.5
Income taxes received	335.6	-13.8
Changes in working capital:		
Changes in inventories	-4.0	-20.4
Changes in underlift position	-22.9	5.8
Changes in receivables	-21.4	41.0
Changes in overlift position	–	-29.2
Changes in liabilities	-145.4	75.2
Total cash flows from operating activities	**311.5**	604.8
Cash flows from investing activities		
Investment in oil and gas properties	-1,443.3	-1,921.2
Investment in other fixed assets	-36.0	-124.9
Disposal of bonds	–	10.5
Investment in subsidiaries	-0.1	–
Investment in other shares and participations	-3.7	–
Share in result in associated company	–	11.7
Decommissioning costs paid	-10.6	-1.2
Other payments	-0.5	-0.1
Total cash flows from investing activities	**-1,494.2**	-2,025.2
Cash flows from financing activities		
Changes in long-term receivables	–	9.8
Changes in long-term liabilities	1,171.0	1,419.2
Financing fees paid	-3.3	-20.7
Purchase of own shares	–	-9.8
Distributions	–	-0.1
Total cash flows from financing activities	**1,167.7**	1,398.4
Change in cash and cash equivalents	-15.0	-22.0
Cash and cash equivalents at the beginning of the year	80.5	82.4
Currency exchange difference in cash and cash equivalents	6.4	20.1
Cash and cash equivalents at the end of the year	**71.9**	80.5

The effects of currency exchange differences due to the translation of foreign group companies have 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.

Consolidated Statement of Changes in Equity
for the Financial Year Ended 31 December

	Attributable to owners of the Parent Company						
Total Equity comprises: Expressed in MUSD	Share capital[1]	Additional paid-in-capital	Other reserves[2]	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2014	**0.5**	**454.8**	**-96.7**	**848.4**	**1,207.0**	**59.8**	**1,266.8**
Comprehensive income							
Net result	–	–	–	-427.2	-427.2	-4.7	-431.9
Currency translation difference	–	–	-175.5	–	-175.5	-20.8	-196.3
Cash flow hedges	–	–	-148.7	–	-148.7	–	-148.7
Available-for-sale financial assets	–	–	-15.3	–	-15.3	–	-15.3
Total comprehensive income	**–**	**–**	**-339.5**	**-427.2**	**-766.7**	**-25.5**	**-792.2**
Transactions with owners							
Distributions	–	–	–	–	–	-0.1	-0.1
Purchase of own shares	–	-9.8	–	–	-9.8	–	-9.8
Value of employee services	–	–	–	1.0	1.0	–	1.0
Total transactions with owners	**–**	**-9.8**	**–**	**1.0**	**-8.8**	**-0.1**	**-8.9**
Balance at 31 December 2014	**0.5**	**445.0**	**-436.2**	**422.2**	**431.5**	**34.2**	**465.7**
Comprehensive income							
Net result	–	–	–	-861.7	-861.7	-4.6	-866.3
Currency translation difference	–	–	-76.3	–	-76.3	-5.4	-81.7
Cash flow hedges	–	–	6.9	–	6.9	–	6.9
Available-for-sale financial assets	–	–	-3.7	–	-3.7	–	-3.7
Total comprehensive income	**–**	**–**	**-73.1**	**-861.7**	**-934.8**	**-10.0**	**-944.8**
Transactions with owners							
Investment in subsidiaries	–	–	–	–	–	-0.1	-0.1
Value of employee services	–	–	–	5.1	5.1	–	5.1
Total transactions with owners	**–**	**–**	**–**	**5.1**	**5.1**	**-0.1**	**5.0**
Balance at 31 December 2015	**0.5**	**445.0**	**-509.3**	**-434.4**	**-498.2**	**24.1**	**-474.1**

[1] Lundin Petroleum AB's issued share capital is described in detail in Note 13.1.

[2] Other reserves are described in detail in Note 13.2.

Accounting Policies

Basis of preparation

Lundin Petroleum's annual report has been prepared in accordance with prevailing International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted by the EU Commission and the Swedish Annual Accounts Act (1995:1554). In addition, RFR 1 "Supplementary Rules for Groups" has been applied as issued by the Swedish Financial Reporting Board. The Parent Company applies the same accounting policies as the Group, except as specified in the Parent Company accounting policies on page 117.

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 other comprehensive income.

Accounting standards, amendments and interpretations

As from 1 January 2015, Lundin Petroleum has applied the following new accounting standards: Annual Improvements to IFRSs - 2010—2012 Improvements Cycle and 2011—2013 Cycle.

The adoption of these amendments did not have any impact on the consolidated financial statements of the Group.

The Group has not adopted the following standards and interpretations that are not mandatory for the financial year 2015.

IFRS 9, Financial instruments, the standard addresses the classification, measurement and recognition of financial assets and financial liabilities. Effective from 1 January 2018.

IFRS 15, Revenue from contract with customers, the standard addresses revenue recognition and establishes principles for reporting useful information to users of financial statements. Effective from 1 January 2018.

IFRS 16, Leases, this standard will replace IAS 17 "Leases" and requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. Effective from 1 January 2019.

The Group is yet to assess the full impact of these standards.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The non-controlling interest in a subsidiary represents the portion of the subsidiary not owned by the Group. The equity of the subsidiary relating to the non-controlling shareholders is shown as a separate item within equity for the Group. The Group recognises any non-controlling interest on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Joint arrangements

Oil and gas operations are conducted by the Group as co-licencees in unincorporated joint operations with other companies, These joint operations are a type of joint arrangement, whereby the parties have joint control. The Group's financial statements reflect the relevant proportions of production, capital costs, operating costs and current assets and liabilities of the joint operations applicable to the Group's interests.

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 has declined significantly or has lasted for a longer period, the cumulative loss is removed from equity and an impairment charge is recognised in the income statement. Dividends received attributable to these assets are recognised in the income statement as part of net financial items.

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 US Dollars, 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/costs in the income statement, except deferred exchange differences on qualifying cash flow hedges which are recorded in other comprehensive income.

Presentation currency

The balance sheets and income statements of foreign Group companies are translated for consolidation purposes using the current rate method. All assets and liabilities 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 other comprehensive income. Upon 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 other comprehensive income.

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

	31 December 2015		31 December 2014	
	Average	Period end	Average	Period end
1 USD equals NOK	8.0637	8.8090	6.3011	7.4332
1 USD equals EUR	0.9012	0.9185	0.7526	0.8236
1 USD equals RUR	61.2881	74.1009	38.3878	59.5808
1 USD equals SEK	8.4303	8.4408	6.8457	7.7366

Classification of assets and liabilities

Non-current assets, long-term liabilities and provisions consist 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.

Oil and gas properties

Oil and gas properties 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. If it is determined that a commercial discovery has not been achieved, these exploration costs are charged to the income statement. During the exploration and development phases, no depletion is charged. The field will be transferred from the non-production cost pool to the production cost pool within oil and gas properties once production commences, and accounted for as a producing asset. Routine maintenance and repair costs for producing assets are expensed as production costs when they occur.

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 through cost of sales 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 indicate are less likely to be recovered than Proved reserves but more certain to be recovered than Possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the actual quantities recovered will equal or exceed the 2P estimate.

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 the costs capitalised included in the income statement. In the event of a sale in the exploration stage, any deficit is included in the income statement.

Impairment tests are performed annually or when there are facts and circumstances that suggest that the carrying value of an asset capitalised costs within each field area less any provision for site restoration costs, royalties and deferred production or revenue related taxes is higher than the anticipated future net cash flow from oil and gas reserves attributable to the Group's interest in the related field areas. Capitalised costs cannot be carried unless those costs can be supported by future cash flows from that asset. 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 assets

Other tangible 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 three to five years for office equipment and other assets. The FPSO located on the Bertam field, Malaysia, is being depreciated over the committed contract term.

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.

Impairment of assets excluding 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When the recoverable amount is less than the carrying value an impairment loss is recognised with the expensed charge to the income statement. 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 may not exceed the carrying amount after depreciation 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 plus transaction costs and subsequently measured at amortised cost unless stated otherwise. Financial assets are derecognised when the rights to receive cash flows from the investments have expired, or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Lundin Petroleum recognises the following financial assets and liabilities:

- Loans and receivables and other financial assets 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 and for which no fixed terms of repayment exist, which are recorded directly in other comprehensive income.

- Other shares and participations (available for sale financial assets) are valued at fair value and any change in fair value is recorded directly in the fair value reserve within other comprehensive income 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. A gain or a loss on available for sale financial assets shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses until the financial asset is derecognised.

- Derivative instruments 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 also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When derivatives do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement.

The Group has only cash flow hedges which qualify for hedge accounting. The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in other comprehensive income 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 other comprehensive income remains in shareholders' equity until the forecast transaction no longer is expected to occur, at which point it is transferred to the income statement.

Inventories

Inventories of consumable well supplies are stated at the lower of cost and net realisable value, cost being determined on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. 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 include cash at bank, cash in hand and 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 available for sale reserve. Upon the realisation 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 which qualify for hedge accounting is accounted for in the hedge reserve. Upon settlement of the hedge instrument, the hedged item will be transferred to the income statement. The currency translation reserve contains unrealised translation differences due to the conversion of the functional currencies into the presentation currency.

Retained earnings contain the accumulated results attributable to the shareholders of the Parent Company.

Provisions

A provision is reported when the Company has a 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as financial costs.

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, as part of the oil and gas property, 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.

Lifting or offtake arrangements for oil and gas produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production after permanent differences less stock is underlift or overlift. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are reflected through the change in under/overlift position as part of revenue.

Service income, generated by providing technical and management services to joint operations, 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 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 the income statement in the period in which they occur. Interest on borrowings to finance the acquisition of producing oil and gas properties is charged to the income statement as incurred.

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 benefits. 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 recognised in other comprehensive income. The Group does not have any designated plan assets.

Share-based payments

Cash-settled share-based payments are recognised 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 using the Black & Scholes pricing model 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. Equity-settled share-based payments are recognised in the income statement as expenses during the vesting period and as equity in the Balance Sheet. The option is measured at fair value at the date of grant using an options pricing model and is charged to the income statement over the vesting period without revaluation of the value of the option.

Income taxes

The components of tax are current and deferred. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is matched.

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 a non-cash charge provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values. Temporary differences can occur, for example, where investment expenditure is capitalised for accounting purposes but the tax deduction is accelerated, or where site restoration costs are provided for in the financial statements but not deductible for tax purposes until they are actually incurred. 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 nor 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.

Deferred tax assets are offset against deferred tax liabilities in the balance sheet where they relate to the same jurisdiction.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker being Group management, which, due to the unique nature of each country's operations, commercial terms or fiscal environment, is at a country level. Information for segments is only disclosed when applicable. Segmental information is presented in Note 3, Note 6 and Note 7.

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

Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and site restoration. Standard recognised evaluation techniques are used to estimate the proved and probable reserves. These techniques take into account the future level of development required to produce the reserves. An independent reserves auditor reviews these estimates, see page 127 Reserve Quantity Information. Changes in estimates of 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. Changes in estimates in oil and gas reserves could for example result from additional drilling, observation of long-term reservoir performance or changes in economic factors such as oil price and inflation rates.

Information about the carrying amounts of the oil and gas properties and the amounts charged to income, including depletion, exploration costs, and impairment costs is presented in Note 7.

Impairment of oil and gas properties

Key assumptions in the impairment models relate to prices and costs that are based on forward curves and the long-term corporate assumptions. Lundin Petroleum carried out its annual impairment tests in conjunction with the annual reserves audit process. The calculation of the impairment requires the use of estimates. For the purpose of determining an eventual impairment, the assumptions that management uses to estimate the future cash flows for value-in-use are future oil and gas prices and expected production volumes. These assumptions and judgements of management that are based on them are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates and the discount rate applied is reviewed throughout the year.

Information about the carrying amounts of the oil and gas properties and impairment of oil and gas properties is presented in Note 3 and Note 7.

Provision for site restoration

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 judgement, actual results could differ from these estimates.

Information about the carrying amounts of the Provision for site restoration is presented in Note 15.

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.

Notes to the Financial Statements
of the Group

Note 1 – Revenue

MUSD	2015	2014
Crude Oil	436.5	627.4
Condensate	0.6	3.0
Gas	83.9	114.6
Net sales of oil and gas	**521.0**	745.0
Change in under/over lift position	25.6	23.4
Other revenue	22.7	16.8
	569.3	785.2

For further information on revenue, see the Directors' Report on page 79.

Note 2 – Production Costs

MUSD	2015	2014
Cost of operations	121.1	94.4
Tariff and transportation expenses	11.8	18.4
Direct production taxes	3.5	3.6
Change in inventory position	-12.6	-0.8
Other	26.5	-49.1
	150.3	66.5

For further information on production costs, see the Directors' Report on page 80.

Note 3 – Segment Information

The Group operates within several geographical areas. Operating segments are reported at country level which is consistent with the internal reporting provided to Group management.

The following tables present segment information regarding; revenue, production costs, exploration costs, impairment costs of oil and gas properties, gross profit/loss and certain asset and liability information regarding the Group's business segments. In addition, segment information is reported in Note 6 and Note 7.

Revenues are derived from various external customers. There were no intercompany sales or purchases in the year or in the previous year, and therefore there are no reconciling items towards the amounts stated in the income statement. Within each segment, revenues from transactions with a single external customer amount to ten percent or more of revenue for that segment. Approximately 50 percent of the total revenue is contracted with one customer. The Parent Company is included in Other in the table below.

MUSD	2015	2014
Norway		
Crude oil	314.6	530.5
Condensate	–	1.7
Gas	33.0	58.8
Net sales of oil and gas	**347.6**	591.0
Change in under/over lift position	25.9	24.4
Other revenue	2.0	3.8
Revenue	**375.5**	619.2
Production costs	-104.5	-11.3
Depletion and decommissioning costs	-158.9	-88.5
Exploration costs	-146.5	-272.1
Impairment costs of oil and gas properties	-526.0	-400.7
Gross profit/loss	**-560.4**	-153.4

continued – Note 3

MUSD	2015	2014
France		
Crude oil	50.6	96.8
Net sales of oil and gas	**50.6**	96.8
Change in under/over lift position	-0.2	-0.5
Other revenue	1.5	1.7
Revenue	**51.9**	98.0
Production costs	-25.1	-33.1
Depletion and decommissioning costs	-15.5	-16.9
Exploration costs	-0.6	-4.6
Gross profit/loss	**10.7**	43.4
Netherlands		
Crude oil	0.1	0.1
Condensate	0.6	1.3
Gas	24.0	33.8
Net sales of oil and gas	**24.7**	35.2
Change in under/over lift position	-0.1	-0.5
Other revenue	1.8	2.2
Revenue	**26.4**	36.9
Production costs	-12.0	-16.8
Depletion and decommissioning costs	-10.7	-15.9
Exploration costs	-0.7	-1.4
Gross profit/loss	**3.0**	2.8
Malaysia		
Crude oil	71.2	–
Net sales of oil and gas	**71.2**	–
Other revenue	10.8	–
Revenue	**82.0**	–
Production costs	-4.4	–
Depletion and decommissioning costs	-66.4	–
Depreciation of other assets	-23.7	–
Exploration costs	-36.3	-14.4
Impairment costs of oil and gas properties	-191.8	–
Gross profit/loss	**-240.6**	-14.4
Indonesia		
Gas	**26.9**	22.0
Net sales of oil and gas	**26.9**	22.0
Other revenue	–	–
Revenue	**26.9**	22.0
Production costs	-4.3	-5.4
Depletion and decommissioning costs	-9.1	-10.3
Exploration costs	–	-94.2
Impairment costs of oil and gas properties	-19.2	–
Gross profit/loss	**-5.7**	-87.9
Other		
Other revenue	6.6	9.1
Revenue	**6.6**	9.1
Production costs	–	0.1
Exploration costs	–	0.3
Gross profit/loss	**6.6**	9.5

continued – Note 3

MUSD	2015	2014
Total		
Crude oil	436.5	627.4
Condensate	0.6	3.0
Gas	83.9	114.6
Net sales of oil and gas	**521.0**	745.0
Change in under/over lift position	25.6	23.4
Other revenue	22.7	16.8
Revenue	**569.3**	785.2
Production costs	-150.3	-66.5
Depletion and decommissioning costs	-260.6	-131.6
Depreciation of other assets	-23.7	–
Exploration costs	-184.1	-386.4
Impairment costs of oil and gas properties	-737.0	-400.7
Gross profit/loss	**-786.4**	-200.0

	Assets		Equity and Liabilities	
MUSD	2015	2014	2015	2014
Norway	3,429.0	3,549.3	3,212.8	3,188.1
France	217.4	237.4	120.3	128.6
Netherlands	83.2	88.8	50.7	55.5
Malaysia	572.0	683.8	536.0	447.1
Indonesia	38.9	63.4	220.9	229.1
Russia	491.0	501.8	441.5	422.4
Sweden	2.1	2.4	12.7	3.9
Corporate	3,370.3	2,788.4	4,073.1	2,968.6
Other	67.4	56.5	77.4	62.8
Intercompany balance elimination	-3,486.0	-2,879.8	-3,486.0	-2,879.8
Assets/liabilities per country	**4,785.3**	5,092.0	**5,259.4**	4,626.3
Shareholders' equity	n/a	n/a	-498.2	431.5
Non-controlling interest	n/a	n/a	24.1	34.2
Total equity for the Group	n/a	n/a	**-474.1**	465.7
Total consolidated	**4,785.3**	5,092.0	**4,785.3**	5,092.0

See also Note 7 for detailed information of the oil and gas properties per country.

For further information on revenue, production costs, depletion and decommissioning costs, exploration costs, impairment costs of oil and gas properties, see the Directors' Report on pages 79–81.

Note 4 – Finance Income

MUSD	2015	2014
Interest income	6.1	1.2
Guarantee fees	0.7	0.5
Other	0.6	0.1
	7.4	1.8

Note 5 – Finance Costs

MUSD	2015	2014
Interest expense	71.4	21.1
Foreign currency exchange loss, net	507.3	356.3
Result on interest rate hedge settlement	6.9	2.4
Unwinding of site restoration discount	10.0	7.0
Amortisation of deferred financing fees	12.4	12.6
Loan facility commitment fees	7.7	21.4
Other	2.2	1.0
	617.9	421.8

During 2015, MUSD 40.2 (MUSD 36.6) of interest was capitalised relating to development projects.

Exchange rate variations result primarily from fluctuations in the value of the USD currency against a pool of currencies which includes, amongst others, EUR, NOK and the Russian Rouble (RUR). Lundin Petroleum has USD denominated debt recorded in subsidiaries using a functional currency other than USD. For further information on the foreign exchange loss, see the Directors' Report on page 81.

Note 6 – Income Tax

Tax charge MUSD	2015	2014
Current tax		
Norway	-283.3	-431.7
France	–	8.9
Netherlands	1.7	2.4
Russia	0.2	0.1
Other	0.8	0.6
	-280.6	-419.7
Deferred tax		
Norway	-295.7	172.2
France	7.2	5.9
Netherlands	4.8	8.1
Indonesia	6.6	-10.3
Russia	-0.2	-0.2
Malaysia	-12.2	-9.2
	-289.5	166.5
Total tax	**-570.1**	-253.2

For further information on income taxes, see the Directors' Report on page 82.

continued – Note 6

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

MUSD	2015	2014
Loss before tax	-1,436.4	-685.1
Tax calculated at the corporate tax rate in Sweden 22% (22%)	316.0	150.7
Effect of foreign tax rates	417.1	138.8
Effect of expenses non-deductible for tax purposes	-235.3	-116.1
Effect of uplift on expenses	99.9	101.0
Effect of utilisation of unrecorded tax losses	9.8	6.0
Effect of creation of unrecorded tax losses	-32.9	-30.5
Adjustments to prior year tax assessments	-4.5	3.3
Tax credit	**570.1**	253.2

The tax rate in Norway is 78 percent and is the primary reason for the significant effect of foreign tax rates in the table above.

The tax charge/credit relating to components of other comprehensive income, is as follows:

	2015			2014		
MUSD	Before tax	Tax	After tax	Before tax	Tax	After tax
Exchange differences foreign operations	-81.7	–	-81.7	-196.3	–	-196.3
Cash flow hedges	6.9	–	6.9	-148.7	–	-148.7
Available-for-sale financial assets	-3.7	–	-3.7	-15.3	–	-15.3
Other comprehensive income	**-78.5**	**–**	**-78.5**	-360.3	–	-360.3

Corporation tax liability – current and deferred	Current		Deferred	
MUSD	2015	2014	2015	2014
Norway	–	–	407.9	844.8
France	–	–	47.6	43.9
Netherlands	0.4	1.3	-1.6	0.9
Indonesia	–	–	3.5	–
Russia	0.3	0.3	85.2	83.7
Other	–	0.2	–	–
Total tax liability	**0.7**	1.8	**542.6**	973.3

There is also a tax receivable of MUSD 264.7 (MUSD 373.6) mainly related to Norway reported in current tax assets as at 31 December 2015.

For further information on tax liabilities, see the Directors' Report on page 83.

continued – Note 6

Specification of deferred tax assets and tax liabilities [1] MUSD	2015	2014
Deferred tax assets		
Unused tax loss carry forwards	508.0	253.5
Other deductible temporary differences	8.2	18.0
	516.2	271.5
Deferred tax liabilities		
Accelerated allowances	955.4	1,064.8
Brynhild operating cost share	14.6	38.7
Exchange gains and losses	–	19.1
Deferred tax on excess values	75.3	109.1
Other taxable temporary differences	0.1	0.2
	1,045.4	1,231.9

[1] The specification of deferred tax assets and tax liabilities does not agree to the face of the balance sheet due to the netting off of balances in the balance sheet when they relate to the same jurisdiction.

The deferred tax asset is primarily relating to tax loss carried forwards in Norway for an amount of MUSD 283.9 (MUSD 52.3) and unused uplift carry forward in Norway of MUSD 215.3 (MUSD 134.7). 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 accelerated allowances, being the difference between the book and the tax value of oil and gas properties primarily in Norway, and tax on the excess value of the acquired assets in Russia. The deferred tax liability will be released over the life of the assets as the book value is depleted for accounting purposes.

Unrecognised tax losses

The Group has Dutch tax loss carry forwards of approximately MUSD 196 (MUSD 271). The tax losses can be carried forward and utilised for up to 9 years. A deferred tax asset of MUSD 48 (MUSD 59) relating to the tax loss carry forwards has not been recognised as at 31 December 2015 due to the uncertainty as to the timing and the extent of the tax loss carry forward utilisation. The Group also has Swedish tax loss carry forwards of approximately MUSD 22 (MUSD 34). The related deferred tax asset has not been recognised due to the uncertainty of the timing and extent of the utilisation of the tax losses. This treatment is consistent with the comparative year's accounts.

Note 7 – Oil and Gas Properties

MUSD	31 December 2015	31 December 2014
Production cost pools	2,369.3	1,054.9
Non-production cost pools	1,646.1	3,127.7
	4,015.4	4,182.6

2015 production cost pools MUSD	Norway	France	Netherlands	Indonesia	Malaysia	Total
Cost						
1 January	1,896.6	332.9	133.0	65.5	–	2,428.0
Additions	181.1	16.9	2.3	-1.1	132.0	331.2
Change in estimates	57.6	-2.6	4.0	–	11.9	70.9
Reclassifications	1,743.9	–	–	–	268.2	2,012.1
Currency translation difference	-312.1	-34.5	-13.3	–	–	-359.9
31 December	3,567.1	312.7	126.0	64.4	412.1	4,482.3
Depletion						
1 January	-1,104.1	-130.7	-100.6	-37.7	–	-1,373.1
Depletion charge for the year	-156.3	-15.5	-10.7	-9.1	-66.4	-258.0
Impairment	-526.0	–	–	–	-165.9	-691.9
Currency translation difference	186.3	13.6	10.1	–	–	210.0
31 December	-1,600.1	-132.6	-101.2	-46.8	-232.3	-2,113.0
Net book value	**1,967.0**	**180.1**	**24.8**	**17.6**	**179.8**	**2,369.3**

continued – Note 7

2014 production cost pools

MUSD	Norway	France	Netherlands	Indonesia	Total
Cost					
1 January	1,146.2	347.4	150.7	66.4	1,710.7
Additions	27.8	29.3	3.9	-0.9	60.1
Change in estimates	11.5	-0.1	-3.8	–	7.6
Reclassifications	926.2	0.2	–	–	926.4
Currency translation difference	-215.1	-43.9	-17.8	–	-276.8
31 December	1,896.6	332.9	133.0	65.5	2,428.0
Depletion					
1 January	-771.1	-130.8	-96.6	-27.4	-1,025.9
Depletion charge for the year	-88.5	-16.8	-15.9	-10.3	-131.5
Impairment	-400.7	–	-0.5	–	-401.2
Currency translation difference	156.2	16.9	12.4	–	185.5
31 December	-1,104.1	-130.7	-100.6	-37.7	-1,373.1
Net book value	**792.5**	**202.2**	**32.4**	**27.8**	**1,054.9**

2015 non-production cost pools

MUSD	Norway	France	Netherlands	Indonesia	Russia	Malaysia	Total
1 January	2,168.0	8.0	6.2	16.1	500.9	428.5	3,127.7
Additions	1,109.0	0.4	1.9	3.1	5.3	23.5	1,143.2
Expensed exploration costs	-146.5	-0.6	-0.7	–	–	-36.3	-184.1
Impairment	–	–	–	-19.2	–	-25.9	-45.1
Change in estimates	56.7	–	–	–	–	–	56.7
Reclassifications	-1,743.9	–	–	–	–	-268.2	-2,012.1
Currency translation difference	-422.7	-0.9	-0.8	–	-16.0	0.2	-440.2
31 December	**1,020.6**	**6.9**	**6.6**	**–**	**490.2**	**121.8**	**1,646.1**

2014 non-production cost pools

MUSD	Norway	France	Netherlands	Indonesia	Russia	Malaysia	Total
1 January	2,310.5	7.9	6.0	62.7	559.0	189.9	3,136.0
Additions	1,663.8	5.9	1.9	47.5	4.0	230.8	1,953.9
Expensed exploration costs	-272.1	-4.6	-0.9	-94.2	–	-14.4	-386.2
Change in estimates	36.4	–	–	–	–	21.7	58.1
Reclassifications	-926.2	-0.2	–	–	–	–	-926.4
Currency translation difference	-644.4	-1.0	-0.8	0.1	-62.1	0.5	-707.7
31 December	**2,168.0**	**8.0**	**6.2**	**16.1**	**500.9**	**428.5**	**3,127.7**

In 2015, the reclassification from non-production cost pools to production cost pools mainly related to the Edvard Grieg field in Norway, which commenced production in November 2015 and to the Bertam field in Malaysia, which commenced production in April 2015.

Impairment
Lundin Petroleum carried out its impairment testing at 31 December 2015 on an asset basis in conjunction with the annual reserves audit process. Lundin Petroleum used an oil price curve based on year end price forecasts, a future cost inflation factor of 2% (2%) per annum and a discount rate of 8% (8%) to calculate the future post-tax cash flows. As a result of the impairment testing performed, the carrying value of the Brynhild asset in Norway, was impaired by a pre-tax amount of MUSD 526.0 and the Bertam asset in Malaysia by a pre-tax amount of MUSD 165.9. For further information on impairment, see the Directors' Report on page 81.

Capitalised borrowing costs
During 2015, MUSD 40.2 (MUSD 36.6) of capitalised interest costs were added to oil and gas properties and relate to Norwegian and Malaysian development projects. The interest rate for capitalised borrowing costs is calculated at the external facility borrowing rate of LIBOR plus the margin of 3.00% per annum, increased from 2.75% from June 2015 (2.75% per annum in 2014).

Exploration expenditure commitments
The Group participates in joint operations with third parties in oil and gas exploration activities. The Group is contractually committed under various concession agreements to complete certain exploration programmes. The commitments as at 31 December 2015, are estimated to be MUSD 211.1 (MUSD 501.5), of which third parties who are joint operations partners will contribute approximately MUSD 128.5 (MUSD 252.2).

Note 8 – Other Tangible Assets

MUSD	2015 FPSO	2015 Real estate	2015 Other	2015 Total	2014 FPSO	2014 Real estate	2014 Other	2014 Total
Cost								
1 January	178.9	11.2	40.8	230.9	63.4	11.3	40.1	114.8
Additions	30.8	–	5.3	36.1	118.8	–	6.1	124.9
Disposals	–	–	-0.5	-0.5	–	–	-0.1	-0.1
Reclassification	–	–	4.5	4.5	–	–	–	–
Currency translation difference	-2.5	–	-3.6	-6.1	-3.3	-0.1	-5.3	-8.7
31 December	207.2	11.2	46.5	264.9	178.9	11.2	40.8	230.9
Depreciation								
1 January	–	-1.6	-29.0	-30.6	–	-1.6	-28.2	-29.8
Disposals	–	–	0.5	0.5	–	–	0.1	0.1
Depreciation charge for the year	-23.7	-0.1	-5.1	-28.9	–	-0.1	-4.6	-4.7
Reclassification	–	–	-4.1	-4.1	–	–	–	–
Currency translation difference	–	–	2.5	2.5	–	0.1	3.7	3.8
31 December	-23.7	-1.7	-35.2	-60.6	–	-1.6	-29.0	-30.6
Net book value	**183.5**	**9.5**	**11.3**	**204.3**	178.9	9.6	11.8	200.3

The depreciation charge for the year is based on cost and an estimated useful life of three to five years for office equipment and other assets. Real estate is depreciated using an estimated useful life of 20 years and taking into account its residual value. Depreciation is included within the general, administration and depreciation line in the income statement. The FPSO located on the Bertam field in Malaysia, is being depreciated over the committed contract term and included in the depreciation of other assets line in the income statement.

Note 9 – Financial Assets

MUSD	31 December 2015	31 December 2014
Other shares and participations	4.1	4.7
Brynhild operating cost share	5.5	31.0
Other	1.1	1.3
	10.7	37.0

Note 9.1 – Other Shares and Participations

	31 December 2015 Number of shares	31 December 2015 Share %	31 December 2015 Book amount MUSD	31 December 2014 Book amount MUSD
ShaMaran Petroleum Corp.	103,784,842	6.6 %	4.1	4.7
			4.1	4.7

The investment in ShaMaran Petroleum Corp. (ShaMaran) was booked at the fair value of the shares at the date of acquisition in 2009 and under accounting rules, subsequent movements in the fair value of the shares is being recorded in the consolidated statement of comprehensive income.

In October 2014, Lundin Petroleum signed a standby purchase agreement in relation to a rights offering by ShaMaran. Under this agreement, Lundin Petroleum and other major shareholders of ShaMaran agreed to exercise their pro rata number of rights to acquire ShaMaran shares, and to purchase any ShaMaran shares not subscribed for by other shareholders, in consideration for receiving a fee from ShaMaran, such fee to be payable in ShaMaran shares. The offering was completed by ShaMaran in February 2015. Under the standby purchase agreement, Lundin Petroleum exercised its pro rata number of rights to acquire 46.5 million ShaMaran shares for a total consideration of CAD 4.65 million, and Lundin Petroleum purchased a further 20.4 million ShaMaran shares for a total consideration of CAD 2.0 million. Lundin Petroleum received 7.3 million ShaMaran shares as a fee. Subsequent to the completion of the offering, Lundin Petroleum sold 20.4 million ShaMaran shares. As at 31 December 2014, prior to completion of the offering, Lundin Petroleum held 50.0 million ShaMaran shares representing 6.2 percent of the total outstanding ShaMaran shares at that date. As at 31 December 2015, Lundin Petroleum held 103.8 million ShaMaran shares, representing 6.6 percent of the total outstanding ShaMaran shares at that date.

continued – Note 9.1

The fair value of the ShaMaran shares is calculated using the quoted share price at the Toronto Stock Exchange at the balance sheet date and is detailed below.

ShaMaran Petroleum Corp. MUSD	2015	2014
1 January	4.7	21.6
Additions	4.2	–
Fair value movement	-3.7	-15.3
Currency translation difference	-1.1	-1.6
31 December	**4.1**	4.7

Note 9.2 – Other Financial Assets

MUSD	31 December 2015	31 December 2014
Brynhild operating cost share	5.5	31.0
Other	1.1	1.3
	6.6	32.3

The Brynhild operating cost share relates to the long-term portion of the mark-to-market valuation of the Brynhild operating cost share arrangement, where the share of the operating cost varies with the oil price. The short-term portion is reflected in Note 11.

Note 10 – Inventories

MUSD	31 December 2015	31 December 2014
Hydrocarbon stocks	15.5	3.5
Drilling equipment and consumable materials	30.1	38.1
	45.6	41.6

Note 11 – Trade and Other Receivables

MUSD	31 December 2015	31 December 2014
Trade receivables	35.2	40.3
Underlift	26.5	3.6
Joint operations debtors	48.4	49.1
Prepaid expenses and accrued income	29.5	41.5
Brynhild operating cost share	14.7	21.6
Other	5.0	7.4
	159.3	163.5

The trade receivables relate mainly to hydrocarbon sales to a limited number of independent customers, from whom there is no recent history of default. The trade receivables balance is current and the provision for bad debt is nil.

The Brynhild operating cost share relates to the short-term portion of the mark-to-market valuation of the Brynhild operating cost share arrangement, where the share of the operating cost varies with the oil price. The long-term portion is reflected in Note 9.2.

Note 12 – Cash and Cash Equivalents

Cash and cash equivalents include only cash at hand or on bank. No short-term deposits are held as at 31 December 2015.

Note 13 – Equity

Note 13.1 – Share Capital

MUSD	31 December 2015	31 December 2014
Share capital in MUSD	0.5	0.5
Share capital in SEK	3,179,106	3,179,106
Number of shares	311,070,330	311,070,330
Nominal value per share in SEK	0.01	0.01

Included in the number of shares issued at 31 December 2015 are 2,000,000 shares which Lundin Petroleum holds in its own name.

During the year 2014, the Parent Company reduced its share capital with an amount of SEK 68,402.50 through the cancellation of 6,840,250 shares held in treasury. The reduction of the share capital was followed by a bonus issue of the same amount. The amounts were recognised against other reserves. In consequence the cancellation of shares did not impact the Company's share capital.

Note 13.2 – Other Reserves

MUSD	Available-for-sale reserve	Hedge reserve	Currency translation reserve	Total
1 January 2014	8.8	0.8	-106.3	-96.7
Total comprehensive income	-15.3	-148.7	-175.5	-339.5
31 December 2014	-6.5	-147.9	-281.8	-436.2
Total comprehensive income	-3.7	6.9	-76.3	-73.1
31 December 2015	**-10.2**	**-141.0**	**-358.1**	**-509.3**

Note 13.3 – Earnings Per Share

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

	2015	2014
Net result attributable to shareholders of the Parent Company, USD	-861,764,755	-427,109,353
Weighted average number of shares for the year	309,070,330	309,170,986
Earnings per share, USD	**-2.79**	-1.38
Weighted average diluted number of shares for the year	310,019,890	309,475,038
Earnings per share fully diluted, USD	**-2.79**	-1.38

Note 14 – Financial Liabilities

MUSD	31 December 2015	31 December 2014
Bank loans	3,858.0	2,690.0
Capitalised financing fees	-23.2	-36.0
	3,834.8	2,654.0

The upfront fees associated with the credit facility have been capitalised and are being amortised over the expected life of the financing facility. The interest rate on Lundin Petroleum's credit facility is floating and is currently LIBOR + 3.00% per annum, increased from 2.75% from June 2015 (2.75% per annum in 2014).

For further information, see Note 18.

Note 15 – Provisions

MUSD	Site Restoration	LTIP	Farm in payment	Pension provision	Other	Total
1 January 2015	274.1	6.7	56.0	1.2	3.4	341.4
Additions	–	7.3	–	–	1.2	8.5
Changes in estimates	127.6	–	-9.0	-0.1	–	118.5
Payments	-10.6	-5.9	-34.8	-0.1	-0.5	-51.9
Unwinding of discount	12.7	–	–	–	–	12.7
Currency translation difference	-35.6	-1.1	-7.6	0.2	-0.4	-44.5
31 December 2015	**368.2**	**7.0**	**4.6**	**1.2**	**3.7**	**384.7**
Non-current	368.2	2.2	4.6	1.2	3.7	379.9
Current	–	4.8	–	–	–	4.8
Total	**368.2**	**7.0**	**4.6**	**1.2**	**3.7**	**384.7**

MUSD	Site Restoration	LTIP	Farm in payment	Pension provision	Other	Total
1 January 2014	241.6	77.0	–	1.5	3.6	323.7
Additions	–	13.1	56.0	–	0.2	69.3
Changes in estimates	65.7	–	–	–	–	65.7
Payments	-1.1	-44.8	–	-0.2	-0.2	-46.3
Unwinding of discount	7.0	–	–	–	–	7.0
Reclassification	–	-38.3	–	–	–	-38.3
Currency translation difference	-39.1	-0.3	–	-0.1	-0.2	-39.7
31 December 2014	**274.1**	**6.7**	**56.0**	**1.2**	**3.4**	**341.4**
Non-current	274.1	1.8	7.5	1.2	3.4	288.0
Current	–	4.9	48.5	–	–	53.4
Total	**274.1**	**6.7**	**56.0**	**1.2**	**3.4**	**341.4**

Site Restoration provision
In calculating the present value of the site restoration provision, a pre-tax discount rate of 3.5% (3.5%) was used which is based on long-term risk-free interest rate projections. The changes in estimates in 2015 mainly relates to the liability associated with the infrastructure installed and wells drilled on the Edvard Grieg and Bertam field developments during 2015, as well as an increase in the liability associated with the Brynhild field. Based on the estimates used in calculating the site restoration provision as at 31 December 2015, approximately 70 percent of the total amount is expected to be settled after more than 15 years.

Provision for LTIP
See Note 24 for more information on the Group's LTIP.

Pension provision
In May 2002, the Compensation Committee recommended to the Board of Directors, and the Board of Directors approved, a pension to be paid to 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 Adolf H. Lundin, the monthly payments would be paid to his wife, Eva Lundin, for the duration of her life.

Pension payments totalling an annual amount of TCHF 138 (TUSD 143) are payable to Eva Lundin. 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 (TUSD 1,809).

Note 16 – Trade and Other Payables

MUSD	31 December 2015	31 December 2014
Trade payables	23.1	23.9
Deferred revenue	20.2	–
Joint operations creditors and accrued expenses	271.5	383.5
Other accrued expenses	23.7	46.1
Long-term incentive plans	–	28.2
Other	11.4	9.7
	349.9	491.4

Note 17 – Financial Instruments

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

31 December 2015 MUSD	Total	Loan receivables and other receivables at amortised cost	Financial assets at amortised cost	Assets at fair value in OCI[2]	Fair value recognised in profit/loss	Derivatives used for hedging
Other shares and participations	**4.1**	–	–	4.1	–	–
Other non-current financial assets	**6.6**	–	1.1	–	5.5	–
Joint operations debtors	**48.4**	48.4	–	–	–	–
Other current assets[1]	**346.1**	346.1	–	–	–	–
Cash and cash equivalents	**71.9**	71.9	–	–	–	–
	477.1	466.4	1.1	4.1	5.5	–

31 December 2015 MUSD	Total	Other liabilities at amortised cost	Financial liabilities at amortised cost	Fair value recognised in profit/loss	Derivatives used for hedging
Financial liabilities	**3,834.8**	–	3,834.8	–	–
Other non-current liabilities	**32.2**	32.2	–	–	–
Derivative instruments	**114.5**	–	–	–	114.5
Joint operations creditors	**271.5**	271.5	–	–	–
Other current liabilities	**55.4**	55.4	–	–	–
	4,308.4	359.1	3,834.8	–	114.5

31 December 2014 MUSD	Total	Loan receivables and other receivables at amortised cost	Financial assets at amortised cost	Assets at fair value in OCI[2]	Fair value recognised in profit/loss	Derivatives used for hedging
Other shares and participations	**4.7**	–	–	4.7	–	–
Other non-current financial assets	**32.3**	–	1.3	–	31.0	–
Other current assets[1]	**446.5**	446.5	–	–	–	–
Joint operations debtors	**49.1**	49.1	–	–	–	–
Cash and cash equivalents	**80.5**	80.5	–	–	–	–
	613.1	576.1	1.3	4.7	31.0	–

31 December 2014 MUSD	Total	Other liabilities at amortised cost	Financial liabilities at amortised cost	Fair value recognised in profit/loss	Derivatives used for hedging
Financial liabilities	**2,654.0**	–	2,654.0	–	–
Other non-current liabilities	**29.1**	29.1	–	–	–
Derivative instruments	**135.3**	–	–	–	135.3
Joint operations creditors	**383.5**	383.5	–	–	–
Other current liabilities	**63.6**	63.6	–	–	–
	3,265.5	476.2	2,654.0	–	135.3

[1] Prepayments are not included in other current assets, as prepayments are not deemed to be financial instruments.
[2] Other comprehensive income.

The fair value of loan receivables and other receivables equal the book value.

continued – Note 17

For financial instruments measured at fair value in the balance sheet, the following fair value measurement hierarchy is used:

— Level 1: based on quoted prices in active markets;
— Level 2: based on inputs other than quoted prices as within level 1, that are either directly or indirectly observable;
— Level 3: based on inputs which are not based on observable market data.

Based on this hierarchy, financial instruments measured at fair value can be detailed as follows:

31 December 2015 MUSD	Level 1	Level 2	Level 3
Financial assets			
Other shares and participations	4.1	–	–
	4.1	**–**	**–**
Financial liabilities			
Derivative instruments – non-current	–	48.4	–
Derivative instruments – current	–	66.1	–
	–	**114.5**	**–**

31 December 2014 MUSD	Level 1	Level 2	Level 3
Financial assets			
Other shares and participations	4.7	–	–
	4.7	**–**	**–**
Financial liabilities			
Derivative instruments – non-current	–	33.9	–
Derivative instruments – current	–	101.4	–
	–	**135.3**	**–**

Other shares and participations Level 3 MUSD	2015	2014
1 January	–	0.4
Disposal/liquidation	–	-0.4
31 December	**–**	–

The outstanding derivative instruments can be specified as follows:

Fair value of outstanding derivative instruments in the balance sheet	31 December 2015		31 December 2014	
MUSD	Assets	Liabilities	Assets	Liabilities
Interest rate swap	–	43.9	–	22.3
Currency hedge	–	70.6	–	113.0
Total	**–**	**114.5**	**–**	135.3
Non-current	–	48.4	–	33.9
Current	–	66.1	–	101.4
Total	**–**	**114.5**	**–**	135.3

The fair value of the interest rate swap is calculated using the forward interest rate curve applied to the outstanding portion of the swap transaction. The effective portion of the interest rate swap as at 31 December 2015, amounted to a net liability of MUSD 43.9 (MUSD 22.3).

The fair value of the currency hedge is calculated using the forward exchange rate curve applied to the outstanding portion of the outstanding currency hedging contracts. The effective portion of the currency hedge as at 31 December 2015, amounted to a net liability of MUSD 70.6 (MUSD 113.0).

For risks in the financial reporting, see the section Internal Control and Audit for the financial reporting in the Corporate Governance report on pages 68–69 and Risk management on pages 34–37 for more information.

Note 18 – Financial Risks, Sensitivity Analysis and Derivative Instruments

As an international oil and gas exploration and production company operating globally, Lundin Petroleum is exposed to financial risks such as currency risk, interest rate risk, credit risks, liquidity risks as well as the risk related to the fluctuation in the oil price. The Group seeks to control these risks through sound management practice and the use of internationally accepted financial instruments, such as oil price, interest rate and foreign exchange hedges. Lundin Petroleum uses financial instruments solely for the purpose of minimising risks in the Group's business.

For further information on risks in the financial reporting, see the section Internal Control and Audit for the financial reporting in the Corporate Governance report on pages 68—69 and Risk management on pages 34—37.

Capital management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to meet its committed work programme requirements in order to create shareholder value. The Group may put in place new credit facilities, repay debt, or other such restructuring activities as appropriate. Group management continuously monitors and manages the Group's net debt position in order to assess the requirement for changes to the capital structure to meet the objectives and to maintain flexibility. Lundin Petroleum is not subject to any externally imposed capital requirements.

No significant changes were made in the objectives, policies or processes during 2015.

Lundin Petroleum monitors capital on the basis of net debt. Net debt is calculated as bank loans as shown in the balance sheet less cash and cash equivalents.

MUSD	31 December 2015	31 December 2014
Bank loans	3,858.0	2,690.0
Cash and cash equivalents	-71.9	-80.5
Net debt	**3,786.1**	2,609.5

The increase in net debt compared to 2014 is mainly due to the funding of the Group's development activities.

Interest rate risk
Interest rate risk is the 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 Group, then Lundin Petroleum may choose to enter into an interest rate hedge.

The total interest expense for 2015 amounted to MUSD 111.6, which includes MUSD 40.2 of capitalised interest related to borrowings for the Group's development activities. A 100 basis point shift in the interest rate would have resulted in a change in the total interest expense for the year of MUSD 15.3, taking into account the Group's interest rate hedges for 2015.

The Group has entered into interest rates hedging as follows:

Borrowings MUSD	Fixing of floating LIBOR Rate per annum	Settlement period
500	0.57%	1 Apr 2013 — 31 Mar 2016
1,500	1.50%	1 Jan 2016 — 31 Mar 2016
2,000	1.50%	1 Apr 2016 — 31 Dec 2016
1,500	2.32%	1 Jan 2017 — 31 Dec 2017
1,000	3.06%	1 Jan 2018 — 31 Dec 2018

Currency risk
Lundin Petroleum is a Swedish company which is operating globally and therefore attracts substantial foreign exchange exposure, both on transactions as well as on the translation from functional currency for entities to the Group's presentational currency of the US Dollar. The main functional currencies of Lundin Petroleum's subsidiaries are Norwegian Krone (NOK), Euro (EUR) and Russian Rouble (RUR), as well as US Dollar, making Lundin Petroleum sensitive to fluctuations of these currencies against the US Dollar.

Transaction exposure
Lundin Petroleum's policy on the 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 Group 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.

continued – Note 18

The Group has entered into currency hedging contracts fixing the rate of exchange from USD into NOK to meet NOK operational requirements as summarised in the table below.

Buy	Sell	Average contractual exchange rate	Settlement period
MNOK 1,251.8	MUSD 182.5	NOK 6.86:USD 1	Jan 2016 – Jun 2016
MNOK 2,058.4	MUSD 243.9	NOK 8.44:USD 1	Jul 2016 – Dec 2016
MNOK 1,839.2	MUSD 217.3	NOK 8.46:USD 1	Jan 2017 – Dec 2017
MNOK 1,928.0	MUSD 228.0	NOK 8.46:USD 1	Jan 2018 – Dec 2018
MNOK 1,672.4	MUSD 200.4	NOK 8.35:USD 1	Jan 2019 – Dec 2019

Under IAS 39, subject to hedge effectiveness testing, all of the hedges are treated as effective and changes to the fair value are reflected in other comprehensive income. At 31 December 2015, a current liability of MUSD 66.1 (MUSD 101.4) and a non-current liability of MUSD 48.4 (MUSD 33.9) have been recognised representing the fair value of the outstanding currency and interest rate hedges.

Foreign exchange exposure
The following table summarises the effect that a change in these currencies against the US Dollar would have on operating profit through the conversion of the income statements of the Group's subsidiaries from functional currency to the presentation currency US Dollar for the year ended 31 December 2015.

Operating result in the financial statements, MUSD		**-825.9**	**-825.9**
Shift of currency exchange rates	Average rate 2015	10% USD weakening	10% USD strengthening
EUR/USD	0.9012	0.8193	0.9913
SEK/USD	8.4303	7.6639	9.2733
NOK/USD	8.0637	7.3306	8.8701
RUR/USD	61.2881	55.7165	67.4169
CHF/USD	0.9621	0.8746	1.0583
Total effect on operating result, MUSD		**-51.9**	**51.9**

The foreign currency risk to the Group's income and equity from conversion exposure is not hedged.

In addition, as described in the Directors' report on page 81, the foreign exchange result in the income statement is mainly impacted by foreign exchange movements on the revaluation of the loan and working capital balances. A 10 percent strengthening in the US Dollar currency rate against the other Group currency rates would result in an additional MUSD 50.7 reported foreign exchange loss in the income statement.

Price of oil and gas
Price of oil and 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 Petroleum's financial position.

The table below summarises the effect that a change in the oil price would have had on the net result and equity at 31 December 2015:

Net result in the financial statements, MUSD	**-866.3**	**-866.3**
Possible shift	-10%	10%
Total effect on net result, MUSD	**-18.9**	**18.9**

The impact on the net result from a change in oil price is reduced due to the 78 percent tax rate in Norway.

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.

For the year ended 31 December 2015, the Group did not enter into oil price hedging contracts and there are no oil price hedging contracts outstanding as at 31 December 2015.

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 operations parties is to rely on the provisions of the underlying joint operating agreements to take possession of the licence or the joint operations partner's share of production for non-payment of cash calls or other amounts due.

continued – Note 18

As at 31 December 2015, the Group's trade receivables amounted to MUSD 35.2 (MUSD 40.3). There is no recent history of default. Other long-term and short-term receivables are considered recoverable and no provision for bad debt was accounted for as at 31 December 2015. Cash and cash equivalents are maintained with banks having strong long-term credit ratings.

Liquidity risk
Liquidity risk is defined as the risk that the Group could not be able to settle or meet 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 Group management.

On 25 June 2012, Lundin Petroleum entered into a seven year senior secured revolving borrowing base facility of USD 2.5 billion to provide funding for Lundin Petroleum's ongoing exploration expenditure and development costs, particularly in Norway. The facility is secured against certain cash flows generated by the Group and was increased to USD 4.0 billion in February 2014. 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. The amount available to borrow under the facility is based upon a net present value calculation of the assets' future cash flows. Based on the reduction schedule and the current availability calculation as at 31 December 2015, part of the current outstanding bank loan balance was to fall due within five years. No loan repayments were required for the credit facility in 2015. On 1 February 2016, Lundin Petroleum entered into an agreement to increase its reserve-based lending facility of up to USD 5.0 billion, with an initial committed amount of USD 4.3 billion. In March 2016, an additional committed amount of USD 135 million was secured under this facility. The maturity date of the reserve-based lending facility is 31 December 2022 and the size of the facility does not start reducing until 2020.

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.

In addition, in April 2015 Lundin Petroleum entered into a NOK 4.5 billion Norwegian exploration refund facility secured against tax refunds generated from Lundin Norway's exploration and appraisal activities. The facility matures in December 2016 and the facility size was reduced to NOK 2.15 billion at the end of 2015 following the receipt of the tax refund in December 2015. In March 2016, Lundin Petroleum entered into a committed short-term revolving credit facility of USD 300 million to provide further financial flexibility. The revolving credit facility has a six month term, with an option to extend for a further three months.

The table below 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 forecast under this calculation.

MUSD	31 December 2015	31 December 2014
Non-current		
Repayment within 1 – 2 years:		
– Derivative instruments	42.5	20.3
Repayment within 2 – 5 years:		
– Bank loans	3,858.0	2,690.0
– Derivative instruments	5.9	13.6
Repayment after 5 years:		
– Other non-current liabilities	32.2	29.1
	3,938.6	2,753.0
Current		
Repayment within 6 months:		
– Trade payables	23.1	23.9
– Tax liabilities	0.7	1.8
– Joint venture creditors	271.5	383.5
– Other current liabilities	11.4	37.9
– Derivative instruments	18.1	35.0
Repayment after 6 months:		
– Derivative instruments	48.0	66.4
	372.8	548.5

Lundin Petroleum has, through its subsidiary Lundin Malaysia BV, entered into Production Sharing Contracts (PSC) with Petroliam Nasional Berhad, the oil and gas company of the Government of Malaysia (Petronas). Bank guarantees have been issued in support of the work commitments and other related costs in relation to certain of these PSCs and the outstanding amount of the bank guarantees at 31 December 2015 was MUSD 23.5. These guarantees have final maturity dates ranging between February 2016 and June 2017.

Note 19 – Pledged Assets

In February 2014, Lundin Petroleum increased its seven year senior secured revolving borrowing base facility to USD 4.0 billion as described in Note 18. The facility is secured by pledges over the shares of certain Group companies and charges over some of the bank accounts of the pledged companies. The pledged amount at 31 December 2015 is MUSD 422.9 (MUSD 1,126.8) equivalent and represents the accounting value of net assets of the Group companies whose shares are pledged as described in the Parent Company section below.

Note 20 – Contingent Liabilities and Assets

Contingent liabilities
In connection with the acquisition by Lundin Petroleum of the additional 30 percent interest in the Lagansky Block in 2009, Lundin Petroleum has agreed to pay to the former owner of the Lagansky Block a fee to be based on USD 0.30 per barrel of oil in respect of 30 percent of the proven and probable reserves in the Lagansky Block as at the date a decision is made to proceed to a development.

Contingent assets
In connection with the acquisition of a 30 percent interest in the Lagansky Block by a subsidiary of Gunvor International BV (Gunvor) in 2009, Gunvor has agreed to pay to Lundin Petroleum a fee to be based on USD 0.15 per barrel of oil (up to gross 150 MMbo) and USD 0.30 per barrel of oil (over gross 150 MMbo) of the proven and probable reserves in the Lagansky Block as at the date a decision is made to proceed to a development.

The amounts and timing of the contingent liability and asset related to the Lagansky Block are dependent on the outcome of future exploration, development and production activities. Due to the uncertainties related to these activities, estimates of the cash inflow and outflow cannot be calculated with certainty.

In connection with the sale by Lundin Petroleum of its Salawati (Indonesia) interests to RH Petrogas in 2010, RH Petrogas has agreed to pay to Lundin Petroleum up to MUSD 3.9 as deferred consideration. The amount and timing of such payment will be determined based on certain future field developments within the Salawati Island Block.

In October 2015, Lundin Petroleum entered into a sale and purchase agreement with PT Medco Energi Internasional TBK (Medco), to sell its oil and gas assets in Indonesia, including Lundin Petroleum's 25.88 percent interest in the Lematang PSC in respect of the Singa field. Completion of the transaction remains subject to Indonesian government approval. If the transaction completes, then Medco has agreed to pay a deferred consideration to Lundin Petroleum related to the Singa field as follows: (a) if the Lematang PSC is extended beyond the current PSC expiry date in April 2017, then Medco will pay to Lundin Petroleum 35 percent of certain cash flows generated after the renewal; or (b) if the Lematang PSC is not extended and certain other conditions are met, Medco will pay MUSD 4.0 to Lundin Petroleum.

Note 21 – Related Party Transactions

Lundin Petroleum recognises the following related parties: associated companies, jointly controlled entities, key management personnel and members of their close family 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.

During the year, the Group has entered into transactions with related parties on a commercial basis as shown below:

MUSD	2015	2014
Purchase of services	-0.2	-0.6
Sale of services	0.5	0.7

The related party transactions concern other parties that are controlled by key management personnel. Key management personnel include directors and Group management. The remuneration to the Board of Directors and Group management is disclosed in Note 23. There are balances related to key management personnel as at 31 December 2015.

Note 22 – Average Number of Employees

Average number of employees per country	2015 Total employees	2015 of which men	2014 Total employees	2014 of which men
Parent Company in Sweden	2	1	3	1
Subsidiaries abroad				
Norway	338	254	320	240
France	48	39	54	41
Netherlands	7	4	7	4
Indonesia	10	5	24	14
Russia	17	9	43	24
Malaysia	123	81	98	68
Switzerland	44	27	44	27
Total subsidiaries abroad	**587**	**419**	590	418
Total Group	**589**	**420**	593	419

Board members and Group management	2015 Total at year end	2015 of which men	2014 Total at year end	2014 of which men
Parent Company in Sweden				
Board members[1]	8	5	7	5
Subsidiaries abroad				
Group management[1]	6	5	7	6
Total Group	**14**	**10**	14	11

[1] In 2014, C. Ashley Heppenstall, Chief Executive Officer (CEO) and Board Member is only included in Group management.

Note 23 – Remuneration to the Board of Directors, Group Management and Other Employees

Salaries, other remuneration and social security costs TUSD	2015 Salaries and other remuneration	2015 Social security costs	2014 Salaries and other remuneration	2014 Social security costs
Parent Company in Sweden				
Board members	573	87	686	147
Employees	258	139	454	236
Subsidiaries abroad				
Group management	7,015	492	13,696	960
Other employees	97,834	23,647	101,629	23,957
Total Group	**105,680**	**24,365**	116,465	25,300
of which pension costs		**9,539**		9,821

The table above shows the cost that has been recognised through the income statement during the year and does not equal the actual payments made. The Phantom option plan that vested in 2015 has mainly been recognised in previous years as it has been accrued for over the vesting period of the plan. The table below shows the actual payments made to Group management during 2015.

continued – Note 23

Salaries and other remuneration for the Board members and Group management TUSD	Fixed Board remuneration/ fixed salary and other benefits[1]	Short-term variable salary[2]	Unit bonus plan	Phantom option plan	Remuneration for committee work	Remuneration for work outside of directorship[3]	Pension	Total 2015	Total 2014
Parent Company in Sweden									
Board members									
Ian H. Lundin	124	–	–	–	6	178	–	308	382
Peggy Bruzelius	59	–	–	–	15	–	–	74	87
C. Ashley Heppenstall	10	–	–	–	–	–	–	10	–
Asbjørn Larsen	30	–	–	–	6	–	–	36	87
Lukas H. Lundin	59	–	–	–	–	–	–	59	72
William A. Rand	59	–	–	–	27	–	–	86	109
Grace Reksten Skaugen	30	–	–	–	–	–	–	30	–
Magnus Unger	59	–	–	–	12	18	–	89	87
Cecilia Vieweg	59	–	–	–	18	–	–	77	94
Total Board members	**489**	**–**	**–**	**–**	**84**	**196**	**–**	**769**	**918**
Subsidiaries abroad									
Group management									
C. Ashley Heppenstall [4]	1,879	698	–	12,200	–	–	137	14,914	14,793
Alex Schneiter [4]	718	499	–	8,946	–	–	166	10,329	10,802
Other [5]	2,103	1,152	371	5,693	–	–	345	9,664	23,582
Total Group management	**4,700**	**2,349**	**371**	**26,839**	**–**	**–**	**648**	**34,907**	**49,177**

[1] Other benefits include school fees and health insurance.
[2] The bonus awarded and paid in 2015 relates to the assessment made by the Compensation Committee in January 2015, considering the employees' contributions to the results of the Group in 2014.
[3] The remuneration relates to work performed outside the scope of normal Board duties undertaken by Board members on behalf of the Group. The 2015 Policy on Remuneration referred only to Group management remuneration and did not refer to consultancy fees to members of the Board of Directors. The remuneration paid to the Chairman Ian H. Lundin was approved by the 2014 and 2015 AGMs. The Board authorized a permitted deviation from the 2015 Policy on Remuneration for the payment of such remuneration to Magnus Unger. In addition, the Board approved, as a permitted deviation from the 2015 Policy on Remuneration, a consultancy agreement with C. Ashley Heppenstall, effective as of 1 January 2016. This agreement provides for an annual payment of TCHF 600, to allow the Company to draw on his experience and skills for specific projects and assignments.
[4] C. Ashley Heppenstall left the role of CEO at the end of September 2015 and was replaced by Alex Schneiter in October 2015.
[5] Comprises six persons (Chief Operating Officer, Chief Financial Officer, Vice President Corporate Responsibility, Vice President Legal, Vice President Corporate Planning and Investor Relations and former Senior Vice President Development).

Board members
There are no severance pay agreements in place for any non-executive directors and such directors are not eligible to participate in any of the Group's incentive programmes.

Group management
The pension contribution is between 15 and 18 percent of the qualifying income for pension purposes. The Company provides for 60 percent of the pension contribution and the employee for the remaining 40 percent. Qualifying income is defined as annual base salary and short-term variable salary and is capped at approximately TCHF 846 (TUSD 842). The normal retirement age for the CEO is 65 years.

A mutual termination period of between one month and twelve months applies between the Company and Group management, depending on the duration of the employment with the Company. In addition, severance terms are incorporated into the employment contracts for executives that give rise to compensation, up to two years' base salary, in the event of termination of employment due to a change of control of the Company. The Board of Directors is further authorised, in individual cases, to approve severance arrangements, in addition to the notice periods and the severance arrangements in respect of a change of control of the Company, where employment is terminated by the Company without cause, or otherwise in circumstances at the discretion of the Board. Such severance arrangements may provide for the payment of up to one year's base salary; no other benefits shall be included. Severance payments in aggregate (i.e. for notice periods and severance arrangements) shall be limited to a maximum of two years' base salary.

The former CEO left his position at the end of September 2015. In accordance with the terms of his employment contract, he received a payment equal to one years´ base salary on his departure in lieu of notice. The Board also approved his continued full entitlement to his awards under the 2014 and 2015 performance based LTIP, subject to the terms and conditions of such plans applicable to all participants.

See pages 63 – 65 of the Corporate Governance report for further information on the Group's principles of remuneration and the Policy on Remuneration for the Group management for 2015.

Note 24 – Long-Term Incentive Plans

The Company maintains the long-term incentive plans (LTIP) described below.

Phantom Option Plan
At the AGM on 13 May 2009, the shareholders of Lundin Petroleum approved the implementation of an LTIP for Group management (being, at the time of the award, the President and CEO, the Chief Operating Officer, the Vice President Finance and Chief Financial Officer and the Senior Vice President Development) consisting of a grant of phantom options exercisable after five years from the date of grant. The exercise of these options entitled the recipient to receive a cash payment based on the appreciation of the market value of the Lundin Petroleum share. Payment of the award under these phantom options was made in two equal instalments: (i) first on the date immediately following the fifth anniversary of the date of grant and (ii) second on the date which is one year following the date of the first payment. The grant amounted to 5,500,928 phantom options with an exercise price of SEK 52.91.

The phantom options vested in May 2014 being the fifth anniversary of the date of grant. The recipients received 50 percent of the entitlement as a cash payment equal to the average closing price of the Company's shares during the fifth year following grant, less the exercise price, multiplied by the number of phantom options. The remaining entitlement under the phantom option plan for the former Vice President Finance and Chief Financial Officer was settled during the third quarter of 2014 in accordance with the rules of the plan.

In May 2015, the remaining entitlement under the phantom option plan was paid for an amount of MUSD 26.8 excluding social costs.

Unit Bonus Plan
In 2008, Lundin Petroleum implemented a LTIP scheme consisting of a Unit Bonus Plan which provides for an annual grant of units that will lead to a cash payment at vesting. The LTIP has a three year duration whereby the initial grant of units vested 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 Group at the time of payment. The share price for determining the cash payment at the end of each vesting period will be the average of the Lundin Petroleum closing share price for the period five trading days prior to and following the actual vesting date. The exercise price at vesting date 31 May 2015 was SEK 134.20.

LTIPs that follow the same principles as the 2008 LTIP have subsequently been implemented each year.

The following table shows the number of units issued under the LTIPs, the amount outstanding as at 31 December 2015 and the year in which the units will vest.

	Plan				
Unit Bonus Plan	2012	2013	2014	2015	Total
Outstanding at the beginning of the period	114,100	270,316	371,514	–	755,930
Awarded during the period	–	–	3,510	441,831	445,341
Forfeited during the period	-1,284	-3,558	-2,710	-3,099	-10,651
Exercised during the period	-112,816	-133,922	-125,008	–	-371,746
Outstanding at the end of the period	–	132,836	247,306	438,732	818,874
Vesting date					
31 May 2016		132,836	123,653	146,244	402,733
31 May 2017		–	123,653	146,244	269,897
31 May 2018		–	–	146,244	146,244
Outstanding at the end of the period		132,836	247,306	438,732	818,874

The costs associated with the unit bonus plans are as given in the following table.

Unit Bonus Plan MUSD	2015	2014
2011	–	1.8
2012	1.5	1.1
2013	1.5	2.0
2014	2.0	1.4
2015	2.0	–
	7.0	6.3

LTIP awards are recognised in the financial statements pro rata over their vesting period. The total carrying amount for the provision for the Unit Bonus Plan including social costs at 31 December 2015 amounted to MUSD 7.0 (MUSD 6.7). The provision is calculated based on Lundin Petroleum's share price at the balance sheet date. The closing share price at 31 December 2015 was SEK 122.60.

continued – Note 24

Performance based incentive plan
The 2014 and 2015 AGMs approved a long-term performance based incentive plan in respect of Group management and a number of key employees. The 2015 plan is effective from 1 July 2015 and the 2015 award has been accounted for from the second half of 2015. The total outstanding awards made in respect of 2015 are 694,011 which vest over three years from 1 July 2015 subject to certain performance conditions being met. Each award was fair valued at the date of grant at SEK 91.40 using an option pricing model. The 2014 plan is effective from 1 July 2014 and the total outstanding number of awards made in respect of 2014 are 602,554 which vest over three years from 1 July 2014 subject to certain performance conditions being met. Each award was fair valued at the date of grant at SEK 81.40 using an option pricing model.

Note 25 – Remuneration to the Group's Auditors

TUSD	2015	2014
PwC		
Audit fees	887	1,136
Audit related	88	123
Tax advisory services	29	48
Other fees	30	12
Total PwC	**1,034**	1,319
Remuneration to other auditors than PwC	34	207
Total	**1,068**	1,526

Audit fees include the review of the 2015 half year report. Audit related costs include special assignments such as licence audits and PSC audits.

Note 26 – Subsequent Events

During the first quarter of 2016, the following items were announced by Lundin Petroleum:

An agreement to sell the FPSO Bertam was entered into with M3nergy Investment Ltd. The deal is subject to completion conditions including finalisation of the purchaser's financing arrangements.

In Norway, the Lorry exploration well in PL700B and the Fosen exploration well in PL544 were plugged and abandoned as dry. The costs of these wells will be expensed in the first quarter of 2016.

The Bambazon and Maligan exploration wells on Block SB307/308, offshore Sabah in Malaysia, encountered hydrocarbon shows in non-commercial volumes and were plugged and abandoned. The costs of these wells will be expensed in the first quarter of 2016.

Four exploration licences were awarded to Lundin Petroleum in the Norwegian 2015 APA licensing round, two as operator.

A committed seven year senior secured reserve-based lending facility of up to USD 5.0 billion, with an initial committed amount of USD 4.3 billion, was entered into. In March 2016, an additional committed amount of USD 135 million was secured under this facility. This facility replaces the current credit facility of USD 4.0 billion which was due to reduce in availability from June 2016 and mature in 2019. In addition, Lundin Petroleum entered into a committed short-term revolving credit facility of USD 300 million in March 2016. The revolving credit facility has a six month term, with an option to extend for a further three months.

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 result for the Parent Company amounted to MSEK -78.1 (MSEK 108.7) for the year.

The result included general and administrative expenses of MSEK 89.6 (MSEK 144.9) and finance income of MSEK 4.6 (MSEK 209.9). The prior year included a dividend of MSEK 205.7.

Pledged assets of MSEK 3,569.7 (MSEK 8,717.8) relate to the accounting value of the pledge of the shares in respect of the financing facility entered into by its fully-owned subsidiary Lundin Petroleum BV, see also Note 18.

In June 2010, the Swedish International Public Prosecution Office commenced an investigation into alleged violations of international humanitarian law in Sudan during 1997—2003. The Company is cooperating with the Prosecution Office by providing information regarding its operations in Block 5A in Sudan during the relevant time period and has in relation to the ongoing investigation incurred costs in the form of advisory fees and related expenses. Lundin Petroleum categorically refutes all allegations of wrongdoing and will continue to cooperate with the Prosecution Office's investigation.

Accounting policies

The financial statements of the Parent Company are prepared in accordance with accounting policies generally accepted in Sweden, applying RFR 2 issued by the Swedish Financial Reporting Board and the Annual Accounts Act (1995: 1554). RFR 2 requires the Parent Company to use similar accounting policies as for the Group, i.e. IFRS to the extent allowed by RFR 2. The Parent Company's accounting policies do not in any material respect deviate from the Group policies, see pages 90—95.

Parent Company Income Statement

for the Financial Year Ended 31 December

Expressed in MSEK	Note	2015	2014
Revenue		8.7	9.2
Gross profit/loss		**8.7**	9.2
General, administration and depreciation expenses		-89.6	-144.9
Operating profit/loss		**-80.9**	-135.7
Result from financial investments			
Finance income	1	4.6	209.9
Finance costs	2	-1.8	-1.9
		2.8	208.0
Profit/loss before tax		**-78.1**	72.3
Income tax	3	–	36.4
Net result		**-78.1**	108.7

Parent Company Comprehensive Income Statement

for the Financial Year Ended 31 December

Expressed in MSEK	2015	2014
Net result	-78.1	108.7
Other comprehensive income	–	–
Total comprehensive income	**-78.1**	108.7
Attributable to:		
Shareholders of the Parent Company	-78.1	108.7
	-78.1	108.7

Parent Company Balance Sheet

for the Financial Year Ended 31 December

Expressed in MSEK	Note	2015	2014
ASSETS			
Non-current assets			
Shares in subsidiaries	8	7,871.8	7,871.8
Other tangible fixed assets		0.2	0.2
Total non-current assets		**7,872.0**	7,872.0
Current assets			
Prepaid expenses and accrued income		3.8	3.4
Other receivables	4	13.7	13.3
Cash and cash equivalents		0.4	1.8
Total current assets		**17.9**	18.5
TOTAL ASSETS		**7,889.9**	7,890.5
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		3.2	3.2
Statutory reserve		861.3	861.3
Total restricted equity		**864.5**	864.5
Unrestricted equity			
Other reserves		2,295.3	2,295.3
Retained earnings		4,700.7	4,592.0
Net result		-78.1	108.7
Total unrestricted equity		**6,917.9**	6,996.0
Total equity		**7,782.4**	7,860.5
Non-current liabilities			
Provisions		0.4	0.3
Payables to Group companies		100.7	–
Total non-current liabilities		**101.1**	0.3
Current liabilities			
Trade payables		–	5.2
Payables to Group companies		–	13.5
Accrued expenses and prepaid income	5	5.2	9.8
Other liabilities		1.2	1.2
Total current liabilities		**6.4**	29.7
TOTAL EQUITY AND LIABILITIES		**7,889.9**	7,890.5
Pledged assets	6	3,569.7	8,717.8
Contingent liabilities	6	–	–

Parent Company Statement of Cash Flow

for the Financial Year Ended 31 December

Expressed in MSEK	2015	2014
Cash flow from operations		
Net result	-78.1	108.7
Non-cash settled dividend	–	-205.7
Other non-cash items	–	168.2
Unrealised exchange losses	0.3	0.7
Changes in working capital:		
Changes in current assets	-0.8	0.6
Changes in current liabilities	-23.0	10.5
Total cash flow from operations	**-101.6**	83.0
Cash flow from investments		
Changes in long-term tangible fixed assets	–	-0.1
Total cash flow from investments	**–**	-0.1
Cash flow from financing		
Changes in provisions	-0.3	–
Changes in long-term liabilities	100.7	-21.7
Purchase of own shares	–	-62.2
Total cash flow from financing	**100.4**	-83.9
Change in cash and cash equivalents	**-1.2**	-1.0
Cash and cash equivalents at the beginning of the year	1.8	2.6
Currency exchange difference in cash and cash equivalents	-0.2	0.2
Cash and cash equivalents at the end of the year	**0.4**	1.8

Parent Company Statement of Changes in Equity

for the Financial Year Ended 31 December

	Restricted Equity		Unrestricted Equity			
Expressed in MSEK	Share capital[1]	Statutory reserve	Other reserves	Retained earnings	Total	Total equity
Balance at 1 January 2014	3.2	861.3	2,357.5	4,592.0	6,949.5	7,814.0
Total comprehensive income	–	–	–	108.7	108.7	108.7
Transactions with owners						
Purchase of own shares	–	–	-62.2	–	-62.2	-62.2
Total transactions with owners	**–**	**–**	**-62.2**	**–**	**-62.2**	**-62.2**
Balance at 31 December 2014	**3.2**	**861.3**	**2,295.3**	**4,700.7**	**6,996.0**	**7,860.5**
Total comprehensive income	–	–	–	-78.1	-78.1	-78.1
Balance at 31 December 2015	**3.2**	**861.3**	**2,295.3**	**4,622.6**	**6,917.9**	**7,782.4**

[1] During 2014 the Company reduced its share capital with an amount of SEK 68,402.50 through the cancellation of 6,840,250 shares held in treasury. The reduction of the share capital was followed by a bonus issue of the same amount. The amounts were recognised against other reserves. In consequence the cancellation of shares did not impact the Company's share capital.

Notes to the Financial Statements
of the Parent Company

Note 1 – Finance Income

MSEK	2015	2014
Dividend	–	205.7
Guarantee fees	4.4	3.5
Foreign exchange gain	0.2	0.7
	4.6	209.9

Note 2 – Finance Costs

MSEK	2015	2014
Interest expenses Group	1.8	1.9
	1.8	1.9

Note 3 – Income Tax

MSEK	2015	2014
Net result before tax	-78.1	72.3
Tax calculated at the corporate tax rate in Sweden 22% (22%)	17.2	-15.9
Tax effect of dividend not taxable	–	45.3
Tax effect of expenses non-deductible for tax purposes	-2.3	-3.0
Increase unrecorded tax losses	-14.9	-26.4
Reversal of tax provision	–	-36.4
	–	-36.4

Note 4 – Other Receivables

MSEK	31 December 2015	31 December 2014
Due from Group companies	10.9	10.0
VAT receivable	0.9	1.2
Other	1.9	2.1
	13.7	13.3

Note 5 – Accrued Expenses and Prepaid Income

MSEK	31 December 2015	31 December 2014
Social security costs	1.0	1.1
Directors fees	0.6	0.5
Audit	1.0	1.1
Outside services	2.6	7.1
	5.2	9.8

Note 6 – Pledged Assets, Contingent Liabilities and Assets

Pledged assets relate to the accounting value of the pledge of the shares in respect of the new financing facility entered into by its fully-owned subsidiary Lundin Petroleum BV. See Note 19 in the notes to the financial statements of the Group.

Note 7 – Remuneration to the Auditor

MSEK	2015	2014
PwC		
Audit fees	1.7	1.7
Audit related	–	0.1
	1.7	1.8

There has been no remuneration to any auditors other than PwC.

Note 8 – Shares in Subsidiaries

MSEK	Registration number	Registered office	Total number of shares issued	Percentage owned	Nominal value per share	Book amount 31 Dec 2015	Book amount 31 Dec 2014
Directly owned							
Lundin Petroleum BV	27254196	The Hague, Netherlands	181	100	EUR 100.00	7,871.8	7,871.8
Lundin Services Ltd	LL09860	Labuan, Malaysia	100	100	USD 0.01	–	–
						7,871.8	7,871.8
Indirectly owned							
Lundin Norway AS	986 209 409	Lysaker, Norway	4,930,000	100	NOK 100.00		
Lundin Netherlands BV	24106565	The Hague, Netherlands	6,000	100	EUR 450.00		
Lundin Netherlands Facilities BV	27324007	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Holdings SA	442423448	Montmirail, France	1,853,700	100	EUR 10.00		
- Lundin International SA	572199164	Montmirail, France	1,721,855	99.87	EUR 15.00		
- Lundin Gascogne SNC	419619077	Montmirail, France	100	100	EUR 152.45		
Ikdam Production SA	433912920	Montmirail, France	4,000	100	EUR 10.00		
Lundin SEA Holding BV	27290568	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Malaysia BV	27306815	The Hague, Netherlands	150,000	100	EUR 1.00		
- Lundin Indonesia Holding BV	27290577	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Baronang BV	27314235	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Cakalang BV	27314288	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Gurita BV	27296469	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Lematang BV	24262562	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Oil & Gas BV	24262561	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Rangkas BV (under liquidation)	27314247	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Cendrawasih VII BV	24278356	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin South Sokang BV	27324012	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin South East Asia BV (under liquidation)	27290262	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Cambodia BV (under liquidation)	27292990	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Russia BV	27290574	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Russia Ltd.	656565-4	Vancouver, Canada	55,855,414	100	CAD 1.00		
- Culmore Holding Ltd	162316	Nicosia, Cyprus	1,002	100	CYP 1.00		
- Lundin Lagansky BV	27292984	The Hague, Netherlands	18,000	100	EUR 1.00		
- Mintley Caspian Ltd	160901	Nicosia, Cyprus	5,000	70	CYP 1.00		
- LLC PetroResurs	1047796031733	Moscow, Russia	1	100	RUR 10,000		
Lundin Tunisia BV	27284355	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Marine BV (under liquidation)	27275508	The Hague, Netherlands	180	100	EUR 100.00		
- Lundin Marine SARL (under liquidation)	06B090	Pointe Noire, Congo	200	100	FCFA 5,000		
Lundin Petroleum SA	660.0.330.999-0	Collonge-Bellerive, Switzerland	1,000	100	CHF 100.00		
Jet Arrow SA	660.2.774.006-9	Collonge-Bellerive, Switzerland	11,000	100	CHF 100.00		
Lundin Petroleum Marketing SA	660.6.133.015-6	Collonge-Bellerive, Switzerland	1,000	100	CHF 100.00		
Lundin Services BV	27260264	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Ventures XVII BV	53732855	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Ventures XVIII BV	55709532	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Ventures XIX BV	55709362	The Hague, Netherlands	18,000	100	EUR 1.00		

Lundin Marine BV, Lundin Marine SARL, Lundin South East Asia BV, Lundin Rangkas BV and Lundin Cambodia BV were under liquidation as at 31 December 2015. Lundin Russia Services BV was liquidated during 2015.

Board Assurance

As at 7 April 2016, the Board of Directors and the President & CEO of Lundin Petroleum AB have adopted this annual report for the financial year ended 31 December 2015.

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 provide a fair review of the performance of the Group's and Parent Company's business, and describe the principal risks and uncertainties that the Company and the companies in the Group face.

Stockholm, 7 April 2016

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

Ian H. Lundin Chairman	Alex Schneiter President & CEO	Peggy Bruzelius Board Member
C. Ashley Heppenstall Board Member	Lukas H. Lundin Board Member	William A. Rand Board Member
Grace Reksten Skaugen Board Member	Magnus Unger Board Member	Cecilia Vieweg Board Member

Our audit report was issued on April 8, 2016

PricewaterhouseCoopers AB

Johan Rippe Authorised Public Accountant Lead Partner	Johan Malmqvist Authorised Public Accountant

Auditor's Report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated We have audited the annual accounts and consolidated accounts of Lundin Petroleum AB (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 71 – 122.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Lundin Petroleum AB (publ) for the year 2015.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Presidents be discharged from liability for the financial year.

Stockholm, 8 April 2016

PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant
Lead Partner

Johan Malmqvist
Authorised Public Accountant

Key Financial Data

Financial data MUSD	2015	2014	2013[4]	2012	2011
Revenue[1]	569.3	785.2	1,132.0	1,375.8	1,251.1
EBITDA	384.7	671.3	955.7	1,144.1	1,012.1
Net result	-866.3	-431.9	72.9	103.9	155.2
Operating cash flow	699.6	1,138.5	967.9	831.4	676.2
Data per share USD					
Shareholders' equity per share	-1.61	1.40	3.90	3.81	3.22
Operating cash flow per share	2.26	3.68	3.12	2.68	2.17
Cash flow from operations per share	1.01	1.96	2.92	2.64	2.88
Earnings per share	-2.79	-1.38	0.25	0.35	0.51
Earnings per share fully diluted	-2.79	-1.38	0.25	0.35	0.51
EBITDA per share	1.24	2.17	3.08	3.68	3.25
Dividend per share	–	–	–	–	–
Number of shares issued at year end	311,070,330	311,070,330	317,910,580	317,910,580	317,910,580
Number of shares in circulation at year end	309,070,330	309,070,330	309,570,330	310,542,295	311,027,942
Weighted average number of shares for the year	309,070,330	309,170,986	310,017,074	310,735,227	311,027,942
Weighted average number of shares for the year fully diluted	310,019,890	309,475,038	–	–	–
Share price					
Share price (SEK)	122.60	112.40	125.40	149.50	169.20
Share price (CAD)[2]	n/a	n/a	19.73	22.87	24.54
Key ratios (%)					
Return on equity[3]	–	-50	6	9	15
Return on capital employed	-26	-11	16	35	53
Net debt/equity ratio[3]	–	605	99	28	13
Equity ratio	-10	9	29	38	40
Share of risk capital	1	28	53	66	69
Interest coverage ratio	-11	-13	52	75	59
Operating cash flow/interest ratio	9	49	149	119	55
Yield	n/a	n/a	n/a	n/a	n/a

[1] Following the reclassification of the change in under/over lift from production cost to revenue from 1 January 2013, the comparatives have been restated.

[2] The shares were listed on the Toronto Stock Exchange from March 2011 until November 2014 when the shares were voluntarily delisted.

[3] As the equity in 2015 is negative, these ratios have not been calculated.

[4] The comparatives for 2013 have been restated following the adoption of IFRS 11 Joint Arrangements, effective 1 January 2014. No restatement has been made for the years 2011 – 2012.

Key Ratio Definitions

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation):
Operating EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation): Operating profit before depletion of oil and gas properties, exploration costs, impairment costs, depreciation of other tangible assets and gain on sale of assets.

Operating cash flow:
Revenue less production costs and less current taxes.

Shareholders' equity per share:
Shareholders' equity divided by the number of shares in circulation at year end.

Operating cash flow per share:
Operating cash flow divided by the weighted average number of shares for the year.

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

Earnings per share:
Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year.

Earnings per share fully diluted:
Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year after considering any dilution effect.

EBITDA per share:
EBITDA divided by the weighted average number of shares for the year.

Weighted average number of shares for the year:
The number of shares at the beginning of the year with changes in the number of shares weighted for the proportion of the year they are in issue.

Return on equity:
Net result divided by average total equity.

Return on capital employed:
Income before tax plus interest expenses plus/less exchange currency differences on financial loans divided by the average capital employed (the average balance sheet total less non-interest bearing liabilities).

Net debt/equity ratio:
Bank loan less cash and cash equivalents divided by shareholders' equity.

Equity ratio:
Total equity divided by the balance sheet total.

Share of risk capital:
The sum of the total equity and the deferred tax provision divided by the balance sheet total.

Interest coverage ratio:
Result after financial items plus interest expenses plus/less exchange currency differences on financial loans divided by interest expenses.

Operating cash flow/interest ratio:
Revenue less production costs and less current taxes divided by the interest expense for the year.

Yield:
Dividend per share in relation to quoted share price at the end of the year.

Five Year Financial Data

Income statement summary MUSD	2015	2014	2013[1]	2012	2011
Revenue	569.3	785.2	1,132.0	1,375.8	1,251.1
Production costs	-150.3	-66.5	-139.6	-203.2	-174.7
Depletion	-260.6	-131.6	-169.3	-191.4	-165.1
Depletion of other assets	-23.7	–	–	–	–
Exploration costs	-184.1	-386.4	-287.8	-168.4	-140.0
Impairment costs of oil and gas properties	-737.0	-400.7	-123.4	-237.5	–
Gross profit/loss	**-786.4**	-200.0	411.9	575.3	771.2
General, administration and depreciation expenses	-39.5	-52.2	-41.2	-31.8	-67.0
Operating profit/loss	**-825.9**	-252.2	370.7	543.5	704.2
Result from financial investments	-610.5	-420.0	-82.5	-21.2	25.4
Share of result of joint ventures accounted for using the equity method	–	-12.9	-0.2	–	–
Profit/loss before tax	**-1,436.4**	-685.1	288.0	522.3	729.7
Income tax	570.1	253.2	-215.1	-418.4	-574.4
Net result	**-866.3**	-431.9	72.9	103.9	155.2
Net result attributable to the shareholders of the Parent Company:	-861.7	-427.2	77.6	108.2	160.1
Net result attributable to non-controlling interest:	-4.6	-4.7	-4.7	-4.3	-4.9
Net result	**-866.3**	-431.9	72.9	103.9	155.2

Balance sheet summary MUSD	2015	2014	2013	2012	2011
Tangible fixed assets	4,219.7	4,382.9	3,905.8	2,913.8	2,345.4
Other non-current assets	24.1	49.9	93.6	44.1	44.0
Current assets	541.5	659.2	362.0	335.8	298.0
Total assets	**4,785.3**	5,092.0	4,361.4	3,293.7	2,687.4
Shareholders' equity	-498.2	431.5	1,207.0	1,182.4	1,000.9
Non-controlling interest	24.1	34.2	59.8	67.7	69.4
Total equity	**-474.1**	465.7	1,266.8	1,250.1	1,070.3
Provisions	970.9	1,295.2	1,345.1	1,204.6	988.0
Non-current liabilities	3,867.0	2,683.1	1,264.1	406.8	226.3
Current liabilities	421.5	648.0	485.4	432.2	402.8
Total shareholders'equity and liabilities	**4,785.3**	5,092.0	4,361.4	3,293.7	2,687.4

[1] The comparatives for 2013 have been restated following the adoption of IFRS 11 Joint Arrangements, effective 1 January 2014. No restatement has been made for the years 2011–2012.

Reserve Quantity Information

Proved and probable oil reserves	Total MMbbl	Norway MMbbl	France MMbbl	Netherlands MMbbl	Malaysia MMbbl	Russia MMbbl
1 January 2014	**178.9**	**136.6**	**22.5**	**0.1**	**13.6**	**6.1**
Changes during the year						
Sales	-5.6	–	–	–	–	-5.6
Revisions	3.1	3.2	-0.2	-0.1	0.2	–
Extensions and discoveries	3.4	3.4	–	–	–	–
Production	-7.1	-5.5	-1.1	–	–	-0.5
31 December 2014	**172.7**	**137.7**	**21.2**	–	**13.8**	–
2015						
Changes during the year						
Revisions	-4.5	-2.3	-1.1	–	-1.1	–
Extensions and discoveries	498.8	498.8	–	–	–	–
Production	-9.8	-6.8	-1.0	–	-2.0	–
31 December 2015 [1]	**657.2**	**627.4**	**19.1**	**–**	**10.7**	**–**

Proved and probable gas reserves	Total Bn scf [2]	Norway Bn scf	Netherlands Bn scf	Indonesia Bn scf
1 January 2014	**91.4**	**60.3**	**19.7**	**11.4**
Changes during the year				
Revisions	6.8	7.7	-0.7	-0.2
Extensions and discoveries	3.1	3.1	–	–
Production	-12.8	-5.7	-4.2	-2.9
31 December 2014	**88.5**	**65.4**	**14.8**	**8.3**
2015				
Changes during the year				
Sales	-4.8	–	–	-4.8
Revisions	11.1	10.3	0.8	–
Extensions and discoveries	86.2	86.2	–	–
Production	-12.0	-4.6	-3.9	-3.5
31 December 2015	**169.0**	**157.3**	**11.7**	**–**

[1] The year end 2015 oil reserves reported include 15.9 MMbbl of NGL's relating to Norway.
[2] The factor of 6,000 is used by the Company to convert one scf to one boe.

Definitions and Abbreviations

Reserves defined

2P Reserves

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 audited by ERC Equipoise Ltd. (ERCE), an independent reserves auditor. Reserves are defined as those quantities of petroleum which are anticipated to be commercially recovered by application of development projects to known accumulations from a given date forward under defined conditions. Estimation of reserves is inherently uncertain and to express an uncertainty range, reserves are subdivided into Proved, Probable and Possible categories. Unless stated otherwise, Lundin Petroleum reports its Proved plus Probable (2P) reserves.

Proved reserves

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

Probable reserves are those unproved reserves which analysis of geological and engineering data indicate are less likely to be recovered than Proved reserves but more certain to be recovered than Possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the actual quantities recovered will equal or exceed the Proved plus Probable reserves (2P) estimate.

Resources defined

Contingent resources

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.

Prospective resources

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and chance of development.

Oil Related Measurements

bbl	Barrel (1 barrel = 159 litres)
bcf	Billion cubic feet (1 cubic foot = 0.028 m^3)
Bn	Billion
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
Bn boe	Billion barrels of oil equivalent
Mbbl	Thousand barrels
Mbo	Thousand barrels of oil
Mboe	Thousand barrels of oil equivalent
Mboepd	Thousand barrels of oil equivalent per day
MMbo	Million barrels of oil
MMboe	Million barrels of oil equivalent
MMbbl	Million barrels
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
MMscfd	Million standard cubic feet per day
MMstb	Million stock tank barrels
MMbtu	Million British thermal units

Currency Abbreviations

CHF	Swiss Franc
CAD	Canadian Dollar
EUR	Euro
GBP	British Pound
NOK	Norwegian Krone
RUR	Russian Rouble
SEK	Swedish Krona
USD	US Dollar
TCHF	Thousand CHF
TSEK	Thousand SEK
TUSD	Thousand USD
MSEK	Million SEK
MUSD	Million USD

i For further definitions of oil and gas terms and measurements, visit www.lundin-petroleum.com

HSE Indicator Data

HSE indicator data		2015	2014	2013	2012	2011
Exposure Hours	Employees	1,286,396	1,219,744	960,508	909,196	1,036,831
	Contractors	3,841,243	4,466,854	2,074,824	1,561,482	2,354,452
	Total	5,127,639	5,686,598	3,035,332	2,470,678	3,391,283
Fatalities	Employees	0	0	0	0	0
	Contractors	0	0	0	0	0
Lost Time Incidents[1]	Employees	1	0	2	2	3
	Contractors	8	7	4	5	3
Restricted Work Incidents[2]	Employees	0	0	0	0	0
	Contractors	0	1	0	0	3
Medical Treatment Incidents[3]	Employees	1	0	0	1	1
	Contractors	9	4	2	0	4
Lost Time Incident Rate[4]	Employees	0.80	0.00	2.10	2.20	2.90
	Contractors	2.10	1.55	1.95	3.20	1.25
	All	1.76	1.23	1.98	2.83	1.77
Total Recordable Incident Rate[4]	Employees	1.55	0.00	2.10	3.30	3.85
	Contractors	4.45	2.70	2.90	3.20	4.25
	All	3.71	2.11	2.64	3.24	4.13
Oil Spills	No.	0	2	0	2	7
	Vol. (m^3)	0	5.2	0	4	33
Chemical Spills	No.	6	6	7	1	2
	Vol. (m^3)	59.88	45.9	59.37	1.75	3.50
Hydrocarbon Leaks	No.	0	0	0	0	0
	Mass (kg)	0	0	0	0	0
Near Misses with High Potential	No.	6	7	2	5	3
Non-compliance with Permits/Consents	No.	0	0	0	0	0

1 Lost Time Incident (LTI) is an incident which results in a person having at least one day away from work.
2 Restricted Work Incident (RWI) is an incident which results in keeping a person from performing one or more routine functions.
3 Medical Treatment Incident (MTI) is a work related injury or illness that does not result in a job restriction or days away from work.
4 Lost Time Incident Rate (LTIR) and Total Recordable Incident Rate (TRIR) are calculated per million hours worked.

Share Data

Share data

Since Lundin Petroleum was incorporated in May 2001 and up to 31 December 2015 the Parent Company share capital has developed as shown below.

Share data	Year	Quota value (SEK)	Change in number of shares	Total number of shares	Total share capital (SEK)
Formation of the Company	2001	100.00	1,000	1,000	100,000
Share split 10,000:1	2001	0.01	9,999,000	10,000,000	100,000
New share issue	2001	0.01	202,407,568	212,407,568	2,124,076
Warrants	2002	0.01	35,609,748	248,017,316	2,480,173
Incentive warrants	2002–2008	0.01	14,037,850	262,055,166	2,620,552
Valkyries Petroleum Corp. acquisition	2006	0.01	55,855,414	317,910,580	3,179,106
Cancellation of shares/Bonus issue	2014	0.01	-6,840,250	311,070,330	3,179,106
Total			311,070,330	311,070,330	3,179,106

Shareholder Information

Lundin Petroleum will publish the following interim reports:

• 11 May 2016	Three month report (January — March 2016)
• 3 August 2016	Six month report (January — June 2016)
• 2 November 2016	Nine month report (January — September 2016)
• 1 February 2017	Year End report 2016

The reports are available on www.lundin-petroleum.com in Swedish and English directly after public announcement.

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' register and who have duly notified their intention to attend the AGM may do so and vote in accordance with their level of shareholding. Shareholders may also attend the AGM through a proxy and a shareholder shall in such a case issue a written and dated proxy. A proxy form is available on www.lundin-petroleum.com.

Lundin Petroleum's AGM is to be held on Thursday 12 May 2016 at 13.00 (Swedish time). Location: Vinterträdgården, Grand Hôtel, Södra Blasieholmshamnen 8 in Stockholm.

Attendance at the meeting

Shareholders wishing to attend the meeting shall:
• be recorded in the share register maintained by Euroclear Sweden AB on Friday 6 May 2016; and notify Lundin Petroleum of their intention to attend the meeting no later than Friday 6 May 2016.

Confirmation of attendance

• in writing to Computershare AB, "Lundin Petroleum AB's AGM", P.O. Box 610, SE-182 16 Danderyd, Sweden
• by telephone: +46-8-51 80 15 54
• by e-mail: info@computershare.se
• via the website www.lundin-petroleum.com

When registering please indicate your name, social security number/company registration number, registered shareholding, 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 name in the shareholders' register to be able to attend the meeting and exercise their voting rights. Such registration must be effected by Friday 6 May 2016.

This information has been made public in accordance with the Securities Market Act (SFS 2007:528) and/or the Financial Instruments Trading Act (SFS 1991:980).

Forward-looking statements
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Lundin Petroleum

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