

Lundin Petroleum AB (publ)

company registration number 556610-8055

Interim Report for the  
NINE MONTHS ended 30 September 2008



9 2008

## HIGHLIGHTS

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	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
<b>Production in mboepd, gross</b>	<b>31.4</b>	38.6	36.8	33.2	34.7
<b>Production in mboepd, after minority</b>	<b>30.7</b>	37.9	36.1	32.5	34.0
<b>Operating income in MSEK</b>	<b>5,079.7</b>	2,147.8	4,062.0	1,322.0	5,484.3
<b>Net profit in MSEK</b>	<b>1,072.0</b>	307.2	732.9	223.2	952.5
<b>Earnings/share in SEK</b>	<b>3.38</b>	0.97	2.33	0.71	3.02
<b>Diluted earnings/share in SEK</b>	<b>3.38</b>	0.97	2.32	0.71	3.02
<b>EBITDA in MSEK</b>	<b>3,249.9</b>	1,580.0	2,411.6	769.7	3,048.6
<b>Operating cash flow in MSEK</b>	<b>2,963.1</b>	1,460.7	2,225.6	804.8	3,126.1

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### Definitions

An extensive list of definitions can be found on the Lundin Petroleum website [www.lundin-petroleum.com](http://www.lundin-petroleum.com) under the heading "Definitions".

#### Abbreviations

<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation and Amortisation
<b>MCHF</b>	Million Swiss Franc
<b>MGBP</b>	Million British Pound
<b>MNOK</b>	Million Norwegian Krona
<b>MSEK</b>	Million Swedish Krona
<b>MUSD</b>	Million US dollar
<b>WI</b>	Working Interest

#### Oil related terms and measurements

<b>boe</b>	Barrels of oil equivalents
<b>boepd</b>	Barrels of oil equivalents per day
<b>bopd</b>	Barrels of oil per day
<b>mbbl</b>	Thousand barrels (in Latin mille)
<b>mboe</b>	Thousand barrels of oil equivalents
<b>mboepd</b>	Thousand barrels of oil equivalents per day
<b>mbopd</b>	Thousand barrels of oil per day

### Dear fellow Shareholders,

The third quarter of 2008 has been a turbulent period in the financial markets which has affected everyone including Lundin Petroleum. The problems in the financial sector triggered by the US subprime housing losses have set off a chain of events which has resulted in an effective failure of the world's banking system and the necessity for major government intervention to prevent a complete meltdown. The effect on the wider economy is now unfolding with most of the world's major economies already in recession. The dual effect of the lack of credit within the financial system, and in fact major deleveraging by the world's banks, coupled with the impact of a recessionary world economy has sent equity markets into a tailspin with huge losses and unprecedented volatility. We have also witnessed major falls in commodity prices including crude oil with investors concerned about the impact of recessionary economies on world oil demand. Whilst I believe that we are past the worst part of the storm, the impact of the credit crisis and recessionary pressures on short term oil prices and equity values are not in my opinion yet to be fully understood. We have not yet seen the full impact of the crisis on the banking sector and it will take at least well into 2009 before we see credit markets start to open up and even longer before financial markets return to any resemblance of stability.

In the short term the oil markets will be pulled lower as demand reduces with OPEC seeking to avert the declines by reducing production to protect their national budgets. However in the longer term the picture is much clearer. The major financial stimulus measures injected into the system by world governments will ultimately trigger renewed growth particularly in the developing world. Even before the financial crisis the oil industry was struggling to supply increased demand particularly as a result of aging oil fields and declining production rates. This financial crisis and recession will simply exacerbate the problem when demand does pick-up again with the oil industry being unable to avert declining production and increased demand. The result will be a sharp rebound in commodity prices, particularly oil.

As a result Lundin Petroleum's strategy, predicated upon a belief in higher long term oil prices, has not changed. We still believe that the companies who ultimately obtain access to reserves and production will be successful in delivering superior returns to shareholders. However what is also critical is that a company needs the financial flexibility to deal with the current scenario of limited credit availability and lower commodity prices. Companies which are faced with liquidity constraints will very quickly

erode shareholder value. This is not the case with Lundin Petroleum which are in a strong financial position with:

- Strong operating cash flow even at lower oil prices.
- Committed banking facilities from a wide syndicate of relationship banks built over many years. USD 1 billion of new banking facilities were finalised last year. We forecast cash and undrawn committed bank lines of over USD 500 million at year end. The availability of these committed bank lines is not expected to be reduced even at lower oil prices. We have no requirement to refinance any of our banking lines until late 2010 and then only our USD 150 million corporate line. Our USD 850 million term financing does not mature until 2014.

I am confident that Lundin Petroleum's financial position is robust and if necessary we can deal with an extended period of low oil prices without the need for new financing, asset sales or reduced capital expenditures. Nevertheless we are not complacent and will likely postpone capital expenditures in 2009 particularly associated with high cost production facilities and related to frontier exploration. We would like to maintain as much liquidity as possible to take advantage of unique acquisition opportunities which I will discuss later in my letter as well as retaining maximum financial flexibility.

### Financial Performance

From a financial perspective the third quarter was probably one of the most successful periods in the history of Lundin Petroleum. The impact of increased oil production from the Alvheim Field during the commissioning period coupled with average oil prices of over USD 100 per barrel during the third quarter generated operating cash flow of SEK 1.5 billion (MUSD 234.0) which was up by 77 percent from the second quarter.

Lundin Petroleum generated a net profit after taxes for the nine months ended 30 September 2008 of MSEK 1,072.0 (MUSD 173.4) which is an increase of 46 percent over the comparative period of last year. Operating cash flow for the period was MSEK 2,963.1 (MUSD 479.3) and earnings before interest, tax, depreciation and amortisation (EBITDA) was MSEK 3,249.9 (MUSD 525.7) both respectively 33 percent and 34 percent over the comparative period of last year.

### Production

Production for the nine months to 30 September 2008 averaged 30,700 boepd. The production for the third quarter of 2008 was 37,900 boepd which was a 41 percent increase over production in the second quarter.

## LETTER TO SHAREHOLDERS

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The Alvheim field was the major reason for increased production in the third quarter. The field, which came onstream in June 2008, increased production during the third quarter as part of the commissioning of the field and averaged 11,500 boepd net to Lundin Petroleum. The performance of the Alvheim field and uptime from the surface facilities was ahead of expectation during the period and I am confident that the field will achieve forecast plateau production in excess of 95,000 boepd in the near future. During the third quarter production from the Broom field in the United Kingdom also performed well after the planned shutdown of the Heather host platform in the second quarter.

Production during the fourth quarter is expected to be similar to the third quarter with a planned 35 day shutdown on the Thistle platform in the United Kingdom. We maintain our 2008 production guidance of 32,500 boepd and 2009 production in excess of 40,000 boepd.

### Exploration

The highlight of the year was our major oil discovery in the Russian sector of the Caspian with the Morskaya exploration well. We encountered 32 degree API oil in two sandstone reservoirs at less than 1,400 metres in depth which tested at a combined rate of 2,500 bopd on restricted choke. We have now calculated that the Morskaya structure which is 130 square kilometres in areal extent contains between 110 and 450 million barrels of recoverable oil in the Lagansky block with a mid case estimate of 230 million barrels. Indeed the discovery is twice this size with only about 50 percent of the structure contained in the Lagansky block. A discovery of this size will certainly require further appraisal with 3D seismic ongoing and another well planned for next year. However the discovery is clearly material even in the context of other major discoveries made in the Russian sector of the Caspian Sea.

Despite the fact that the recent Laganskaya exploration well found limited hydrocarbons, the Lagansky block still has further exciting exploration potential. The Petrovskaya exploration well which is on trend and updip of the Morskaya discovery has estimated potential resources of 300 million barrels of recoverable oil and will be drilled in 2009.

In Norway we have drilled two further successful wells in 2008 following the major Luno discovery in 2007. The Nemo appraisal well in PL148 was successful confirming recoverable reserves of about 20 million barrels. The Pi North exploration well was an oil discovery in PL292 which

is located close to existing infrastructure controlled by operator BG. Both projects are being progressed with a view to potential submissions of plans of development. We recently spudded our first appraisal well on the Luno discovery which we hope will realise the upside potential in this exciting discovery. Indeed we have increased the resource potential in PL338 to 200 to 500 million barrels of recoverable oil after having identified potential updip extensions to the Luno discovery. These extensions will be tested with an exploration well in the first half of 2009. Lundin Petroleum controls a major exploration acreage position close to the Luno discovery and using technical information obtained from Luno will drill at least one further exploration well in PL359 to the south of Luno in 2009.

The results of our 2008 drilling programme in Sudan have been disappointing. We are now analysing the technical results of the dry wells before deciding upon a future work programme.

The nature of exploration is that we will drill dry holes. However we are pleased with our exploration success over the past couple of years particularly in Russia and Norway which I expect will contribute to a material increase in booked reserves at the end of this year. We will continue to explore with an active programme of drilling in 2009 with wells in Norway, Russia, Vietnam, Congo and Kenya. However we will be closely monitoring our exploration budgets in view of lower commodity prices and the financial crisis.

### Mergers and Acquisitions

Over the past four years, since Lundin Petroleum acquired the North Sea assets of DNO, we have been frustrated by our inability to find suitable asset or corporate acquisition targets at acceptable prices. Our view was that deals were being completed at aggressive values not necessarily related to oil price assumptions but because buyers were willing to give value for a combination of probable and possible reserves, contingent resources, risked exploration and in some cases a strategic premium. This phenomenon was driven by the availability of abundant and cheap equity and debt capital with the market giving premiums to companies with cash flow producing assets. In the past few weeks the situation has been completely reversed. Equity and debt markets are no longer available. Commodity prices have collapsed creating a further squeeze on companies with overleveraged balance sheets. As a result we are seeing numerous acquisition opportunities from companies caught in the liquidity squeeze. Initially we saw exploration only vehicles looking

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to offload exploration commitments due to a lack of funding. This has been followed by development only companies who can no longer source the debt finance to bring onstream undeveloped reserves. I believe that further opportunities will become available as the effects of the liquidity shortages work their way through the system.

At Lundin Petroleum we have a strong liquidity position. However we are balancing the opportunities in the market at what we believe are very cheap asset prices with a desire to retain liquidity and keep our financial flexibility. We have acquired over the past few weeks a shareholding of close to 10 percent in the Norwegian independent company Revus Energy ASA. We are partners in their major assets being operator of the Broom field in the United Kingdom and the Luno discovery in Norway. We believed the company was trading at a significant discount to its long term core asset value and were vindicated in this respect when Wintershall made an offer for Revus at a 100 percent premium to our average acquisition price. In the case of Revus we felt comfortable as we could support our valuation from a thorough technical understanding of the assets. We believe that currently there are numerous other undervalued opportunities in the market and that this will most likely lead to further deals in the oil and gas sector over the next few months.

For similar reasons we decided in September to commence a buyback of Lundin Petroleum shares. We believe the current market value of Lundin Petroleum is at a discount to our valuation of the business. We have acquired to date as part of the buyback programme approximately 4.5 million shares in Lundin Petroleum. No decision has been made whether to acquire further shares going forward and this position will be reviewed regularly in light of market conditions.

I continue to strongly believe in the viability of the independent oil and gas sector. Lundin Petroleum has an excellent asset base with increasing reserves and production coupled with a diverse exploration portfolio. Our financial position and liquidity is strong. We will weather the storm in the financial markets even if necessary during a period of sustained low oil prices. And when the world economy starts to grow again and the world focuses upon the supply problems within our industry, then Lundin Petroleum will emerge stronger as one of the leaders in the independent oil and gas sector.

Best Regards,

C. Ashley Heppenstall  
President and CEO

# FINANCIAL REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

## OPERATIONS

### EUROPE

#### United Kingdom

The net production to Lundin Petroleum for the nine months ended 30 September 2008 was 10,500 barrels of oil equivalent per day (boepd).

Net production from the Broom field (Lundin Petroleum Working Interest (WI 55%)) averaged 6,400 boepd during the period. Production during the third quarter was in excess of forecast at 7,400 boepd following the planned shutdown of the Heather production facility during the second quarter.

Production from the Heather field (WI 100%) averaged 1,200 boepd during the period. Production was below forecast due to high downtime of compressor facilities and the shutdown of the Heather production facility during the second quarter. However during September and October production has averaged over 2,000 boepd with the benefit of two compressor operations.

Net production from the Thistle field (WI 99%) averaged 2,900 boepd during the period. Thistle production recommenced in January 2008 following a fire in one of the Thistle platform power generation turbine enclosures in November 2007. Limitations in power generation capacity pending the reinstatement of damaged facilities have negatively impacted production, particularly as a result of reduced water injection. The redevelopment of the Thistle field is ongoing with the completion of the reinstallation of the Thistle drilling rig substantially complete apart from the installation of the top drive. Drilling of new wells on the Thistle field will be postponed until the finalisation of the reinstatement of the damaged power facilities and completion of work required to provide transportation services to facilitate the oil export from the West Don and South West Don fields.

Lundin Petroleum owns approximately 40 percent of, and operates, the undeveloped Peik gas/condensate field which straddles the United Kingdom/Norway median boundary. Conceptual development studies have confirmed the economic viability of the Peik field development and discussions continue in relation to a host platform decision prior to an expected development plan submission in 2009.

The Torphins exploration well in Licence P1107 (WI 40%) was successfully completed in July 2008 as an oil and gas discovery. The results of the well, and the Scolty exploration discovery made in 2007, have and continue to be analysed

to determine commerciality. It is unlikely that the Torphins discovery will be economically viable in the current oil price environment.

#### Norway

The net production to Lundin Petroleum from Norway averaged 4,900 boepd during the period. Net production from the Jotun field (WI 7%) offshore Norway averaged 400 boepd during the period. In July 2008 the sale of Lundin Petroleum's interest in the Jotun field was completed to Det Norske Oljeselskap ASA for a cash consideration of NOK 72 million (SEK 83 million), effective 1 January 2008.

First production from Alvheim field (WI 15%) commenced in June 2008. The build-up of production from the Alvheim field was ahead of expectations averaging 11,500 boepd in the third quarter. Net plateau production is expected to reach 14,000 boepd over the next two months. Gas compression facilities on the Alvheim FPSO were successfully commissioned in July 2008 when gas export through the SAGE system to the United Kingdom commenced. Development drilling on the Alvheim field continues throughout 2008. The average cost of operations for the Alvheim field was USD 6.00 per barrel for the third quarter of 2008.

The first production from the Volund field (WI 35%) is expected in the second half of 2009 with a plateau rate of 8,700 boepd net to Lundin Petroleum. Volund is a subsea tie back to the Alvheim FPSO and the installation of the subsea facilities and flowlines are ongoing and substantially complete. Development drilling will commence in early 2009.

The appraisal well in Licence PL148 (WI 50%) on the Nemo field was successfully completed in the first quarter of 2008 encountering oil in the Ula formation. Current estimates of gross resources for the Nemo field are approximately 20 million barrels of oil (mmb). Conceptual development studies including a potential host platform decision are ongoing with a view to a likely development decision for the Nemo field.

The Pi North exploration well on Licence PL292 (WI 40%) completed in the second quarter of 2008 was a successful oil and gas discovery testing oil at 4,700 bopd from the oil zone. The Pi field is estimated to contain 19 to 32 mmb and the forward plan envisages the submission of a plan of development in 2009.

The Luno oil discovery in PL338 (WI 50%) in 2007 is estimated to contain between 65 mmb and 190 mmb of gross recoverable oil from the Jurassic reservoir with

additional upside potential from the Triassic reservoir. The first appraisal well on the Luno discovery was spudded in November 2008 after delays in taking delivery of the Bredford Dolphin semi-submersible drilling rig. The well will test the lateral continuity of the Jurassic reservoir as well as the upside potential in the Triassic reservoir. Recent technical analysis has identified additional resource potential in updip extensions of the Luno discovery located in PL338. An exploration well will be drilled in the second quarter of 2009 to test the updip Luno extension concept. Further exploration drilling will take place in the Greater Luno area with a well in Licence PL359 (WI 70%) in 2009.

#### **France**

The net production in the Paris Basin averaged 3,100 boepd during the period which was above forecast.

The Paris Basin Rhetien fields continue to produce ahead of expectation and plans are well advanced for the redevelopment of several of these fields with associated increased reserve potential.

In the Aquitaine Basin (WI 50%) net production averaged 800 bopd for the period which was in line with forecast.

In September 2008 the exploration well Dordives 1-D on the Ferrières licence (WI 65%) in the Paris Basin was completed as an oil discovery. The discovery will be tested using a workover rig following which, if successful, the well will be put on long term production test. In April 2008 Société Pétrolière de Production et d'Exploitation (SPPE) acquired a 35 percent interest in the Ferrières licence in consideration for paying a disproportionately larger share of the costs of the exploration well.

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

#### **The Netherlands**

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

## **SOUTH EAST ASIA**

### **Indonesia**

#### *Salawati Island and Basin (Papua)*

The net production from Salawati (Salawati Island WI 14.5% and Salawati Basin WI 25.9%) was 2,300 boepd for the period which was in line with forecast.

#### *Lematang (South Sumatra)*

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

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

#### *Rangkas (West Java)*

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

#### *Baronang/Cakalang (offshore Natuna Sea)*

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

### **Vietnam**

Following the acquisition of 720 km<sup>2</sup> of 3D seismic in 2007, an additional 1,000 km<sup>2</sup> was acquired in the second quarter of 2008 in Block 06/94 (WI 33.33%). The drilling of the first exploration well on the Tuong Vi prospect with unrisks gross potential resources of 159 mboe will take place in the first half of 2009.

### **Malaysia**

In April 2008, Lundin Petroleum signed three production sharing agreements in Malaysia. Block PM308A (WI 35%) and Block PM308B (WI 75%) in the Penyu Basin offshore peninsular Malaysia and Block SB303 (WI 75%) offshore Sabah. A 2D seismic of 1,400 km in Block SB303 was completed in the third quarter of 2008 and planning is underway to acquire an additional 2,150 km<sup>2</sup> of 3D seismic in Blocks PM308A, PM308B and SB303 during 2009.

### **Cambodia**

A 3D seismic acquisition of 270 km<sup>2</sup> in Block E (WI 34%) offshore Cambodia was completed in September 2008.

## **AFRICA**

### **Tunisia**

The net oil production from the Oudna field (WI 40%) averaged 1,600 boepd for the period. Net production for

## FINANCIAL REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

the period was below forecast as a result of adverse water breakthrough in one of the field's producing reservoirs in the first quarter of 2008. However production has stabilised during the second and third quarters when production has been maintained in excess of 1,600 boepd net to Lundin Petroleum.

### Sudan

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

Further drilling in Block 5B has been postponed whilst the acquired well data and samples are analysed by the Block 5B partnership in further detail. Block 5B covers 20,000 km<sup>2</sup> in the Southern Muglad Basin and this year's exploration drilling is the first undertaken in the area.

In 2007, the National Petroleum Commission, constituted of representatives of both North and South Sudan Governments, asked the Block 5B concession partners to accommodate the national oil company of the South Sudan Government, "NilePet", with a 10 percent working interest in Block 5B. The Block 5B concession partners have agreed to this request, but agreements in relation to such a transfer have not yet been completed.

### Congo (Brazzaville)

Drilling will commence on Block Marine XI (WI 18.75%) in 2009 with two wells to be drilled including an appraisal well on the Viodo discovery plus a further exploration well. The High Island V jack up rig has been contracted for the drilling campaign.

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

### Ethiopia

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

In October 2008 New Age (African Global Energy) Limited acquired a 15 percent interest in Blocks 2, 6, 7 and 8 and a 50 percent interest in the Adigala Area in consideration for paying a disproportionate share of costs relating to the

future 2D seismic programmes and the reimbursement of historical costs. The deal is subject to government approval.

Aeromagnetic and aerogravity studies were successfully completed in late 2007.

### Kenya

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

### RUSSIA

The net oil production from Russia for the period was 5,200 boepd which was slightly below forecast.

In July 2008 the first exploration well, Morskaya-1, drilled in the Lagansky block (WI 70%) located in the northern Caspian Sea resulted in a major oil discovery which tested at a combined rate flow rate of 2,500 boepd of 32 API oil. Lundin Petroleum's preliminary estimates indicate gross recoverable resources between 110 and 450 mmbbl in the Lagansky part of the Morskaya structure. The Morskaya structure straddles the licence boundary of the Lagansky block and the adjoining acreage controlled by the Caspian Oil Consortium and is on trend with several major oil and gas discoveries made by Lukoil in the Russian sector of the Caspian Sea. The Morskaya structure is a large four-way dip closure and the areal extent of the discovery is approximately 130 km<sup>2</sup>. Further appraisal drilling will be needed to assess the full extent of the hydrocarbon reservoirs across such a large structure. The acquisition of 3D seismic on the Morskaya structure has commenced and a first appraisal well will be drilled in 2009.

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

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

An option agreement in relation to the Lagansky block was signed in 2007 with JSC Gazprom ("Gazprom") whereby Gazprom has an option to acquire a 50 percent plus one share interest in the Lagansky block. In addition Lundin



Petroleum has signed an option agreement with its minority partner to purchase its 30 percent interest. The net effect if both options are exercised is that Gazprom will own a 50 percent plus one share and Lundin Petroleum will own a 50 percent less one share interest in the Lagansky block.

## **SOUTH AMERICA**

### **Venezuela**

In February 2008, the sale of Lundin Petroleum's Venezuelan interests to PetroFalcon Corporation ("PetroFalcon") was completed. Lundin Petroleum has become the largest shareholder in PetroFalcon with a 45 percent interest. PetroFalcon is a public company listed on the Toronto Stock Exchange with proven and probable reserves of 33.5 mmboe. The deal announced in April 2008 for PetroFalcon to purchase the Venezuelan assets of Anadarko Petroleum Corporation did not receive government approval and will not now proceed.

## **THE GROUP**

### **Result**

Lundin Petroleum reports a net profit for the nine month period ended 30 September 2008 of MSEK 1,072.0 (MSEK 732.9) and MSEK 307.2 (MSEK 223.2) for the third quarter of 2008 representing earnings per share on a fully diluted basis of SEK 3.38 (SEK 2.32) for the nine month period ended 30 September 2008 and SEK 0.97 (SEK 0.71) for the third quarter of 2008.

Operating cash flow for the nine month period ended 30 September 2008 amounted to MSEK 2,963.1 (MSEK 2,225.6) and MSEK 1,460.7 (MSEK 804.8) for the third quarter of 2008 representing operating cash flow per share on a fully diluted basis of SEK 9.35 (SEK 7.06) for the nine month period ended 30 September 2008 and SEK 4.59 (SEK 2.55) for the third quarter of 2008.

Earnings before interest, tax, depletion and amortisation (EBITDA) for the nine month period ended 30 September 2008 amounted to MSEK 3,249.9 (MSEK 2,411.6) and MSEK 1,580.0 (MSEK 769.7) for the third quarter of 2008 representing EBITDA per share on a fully diluted basis of SEK 10.26 (SEK 7.65) for the nine month period ended 30 September 2008 and SEK 4.97 (SEK 2.44) for the third quarter of 2008.

### **Changes in the Group**

On 1 February 2008, Lundin Petroleum completed the sale of its wholly owned subsidiary Lundin Latina de Petróleos S.A. to PetroFalcon and the acquisition of shares and warrants in PetroFalcon through a private placement. As a result of these transactions, Lundin Petroleum became

the largest shareholder in PetroFalcon with a shareholding of approximately 64 million shares of PetroFalcon. In April 2008, PetroFalcon entered into an agreement to acquire further Venezuelan assets. Lundin Petroleum agreed to guarantee certain of PetroFalcon's obligations under that agreement and in part consideration, received approximately 7.1 million shares of PetroFalcon. Lundin Petroleum holds approximately 45 percent of the issued and outstanding common shares of PetroFalcon. PetroFalcon is a natural resource company with oil and gas operations in Venezuela. PetroFalcon is listed on the Toronto Stock Exchange (ticker symbol "PFC") and has existing proven and probable reserves before royalties of 33.5 million barrels of oil equivalent (mmboe) as of 1 January 2008. The shareholding in PetroFalcon has been accounted for under the equity method whereby only the change in equity is accounted for in the income statement of the Group under the heading Result from share in associated company.

### **Revenue**

Net sales of oil and gas for the nine month period ended 30 September 2008 amounted to MSEK 4,998.5 (MSEK 3,962.7) and MSEK 2,113.2 (MSEK 1,288.7) for the third quarter of 2008 and are detailed in Note 1. Production for the nine month period ended 30 September 2008 amounted to 8,589.9 (10,035.4) thousand barrels of oil equivalent (mboe) representing 31.4 mboe per day (mboepd) (36.8 mboepd). The average price achieved for a barrel of oil equivalent for the nine month period ended 30 September 2008 amounted to USD 99.89 (USD 61.41). The average Dated Brent price for the nine month period ended 30 September 2008 amounted to USD 111.11 (USD 67.11) per barrel.

Other operating income for the nine month period ended 30 September 2008 amounted to MSEK 81.3 (MSEK 99.3) and MSEK 34.5 (MSEK 33.2) for the third quarter of 2008. This amount includes tariff income from the United Kingdom, France and the Netherlands and income for maintaining strategic inventory levels in France. Other operating income is lower in 2008 than the comparative period primarily due to the lower tariff income received following lower Broom field production in the United Kingdom.

## FINANCIAL REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

Sales for the nine month period ended 30 September 2008 were comprised as follows:

Sales	1 Jan 2008- 30 Sep 2008 9 months	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
Average price per boe expressed in USD					
<b>United Kingdom</b>					
- Quantity in mboe	2,628.6	846.2	3,959.9	1,263.6	5,074.0
- Average price per boe	110.96	117.74	67.14	74.97	71.91
<b>France</b>					
- Quantity in mboe	1,060.2	406.7	944.4	383.9	1,310.9
- Average price per boe	107.35	99.01	67.90	72.49	73.68
<b>Norway</b>					
- Quantity in mboe	1,328.5	1,051.1	193.8	59.8	250.7
- Average price per boe	117.99	116.23	62.24	71.04	66.81
<b>Netherlands</b>					
- Quantity in mboe	617.5	183.5	615.3	189.9	821.4
- Average price per boe	69.22	76.25	45.77	45.67	48.15
<b>Indonesia</b>					
- Quantity in mboe	380.5	121.0	445.2	93.5	630.4
- Average price per boe	103.65	117.00	62.69	69.38	70.04
<b>Russia</b>					
- Quantity in mboe	1,637.8	571.0	1,515.0	514.4	2,017.9
- Average price per boe	68.92	68.95	43.33	46.66	46.80
<b>Tunisia</b>					
- Quantity in mboe	441.7	87.2	1,719.0	339.6	1,974.9
- Average price per boe	116.18	90.27	65.74	74.75	69.25
<b>Total</b>					
- Quantity in mboe	<b>8,094.8</b>	3,266.7	9,392.6	2,844.7	12,080.2
- Average price per boe	<b>99.89</b>	103.30	61.41	67.27	65.65

The oil produced in Russia is sold on either the Russian domestic market or exported into the international market. 38% of Russian sales for the nine month period ended 30 September 2008 were on the export market at an average price of USD 106.60 per barrel with the remaining 62% of Russian sales being sold on the domestic market at an average price of USD 45.48 per barrel.

	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
<b>Production</b>					
<b>United Kingdom</b>					
- Quantity in mboe	2,865.0	1,030.6	4,025.8	1,286.1	4,990.6
- Quantity in mboepd	10.5	11.2	14.7	14.0	13.7
<b>France</b>					
- Quantity in mboe	1,058.0	346.4	916.2	337.4	1,269.8
- Quantity in mboepd	3.9	3.8	3.4	3.7	3.5
<b>Norway</b>					
- Quantity in mboe	1,340.4	1,070.2	191.5	58.6	248.0
- Quantity in mboepd	4.9	11.6	0.7	0.6	0.7
<b>Netherlands</b>					
- Quantity in mboe	617.5	183.5	615.3	189.9	821.4
- Quantity in mboepd	2.3	2.0	2.3	2.1	2.2
<b>Indonesia</b>					
- Quantity in mboe	641.3	210.3	723.9	228.1	949.6
- Quantity in mboepd	2.3	2.3	2.7	2.5	2.6
<b>Russia</b>					
- Quantity in mboe	1,626.1	554.0	1,532.0	522.1	2,063.9
- Quantity in mboepd	5.9	6.0	5.6	5.7	5.6
<b>Tunisia</b>					
- Quantity in mboe	441.6	152.1	2,030.7	420.2	2,319.6
- Quantity in mboepd	1.6	1.7	7.4	4.6	6.4
<b>Total</b>					
- Quantity in mboe	<b>8,589.9</b>	3,547.1	10,035.4	3,042.4	12,662.9
- Quantity in mboepd	<b>31.4</b>	38.6	36.8	33.2	34.7
<b>Minority interest in Russia</b>					
- Quantity in mboe	190.3	63.2	185.7	66.0	247.4
- Quantity in mboepd	0.7	0.7	0.7	0.7	0.7
<b>Total excluding minority interest</b>					
- Quantity in mboe	<b>8,399.6</b>	3,483.9	9,849.7	2,976.4	12,415.5
- Quantity in mboepd	<b>30.7</b>	37.9	36.1	32.5	34.0

## FINANCIAL REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

Lundin Petroleum has fully consolidated the subsidiaries in Russia over which it has control, with the portion not owned by Lundin Petroleum shown as a minority interest. The average production for Russia for the nine month period ended 30 September 2008 adjusted for Lundin Petroleum's share of ownership is 5.2 mboepd.

The number of barrels produced differs from the number of barrels sold for a number of reasons. There are timing differences between sales and production in field areas such as Tunisia and Norway where production is into a Floating Production Storage Offloading vessel (FPSO). Sales are recorded when a lifting takes place and these can be at varying intervals and will not always be equal to the production at the end of a financial period. Sales in the United Kingdom are based upon production nominated in advance and may not represent the actual production for that month. A difference between nominated and actual production will result in a timing difference in an accounting period. The accounting effect of the timing differences between sales and production are reflected in the movements in the hydrocarbons inventory and the under/overlift position. Over time, the total sales will equal the production. There are permanent differences between production and sales in some of the field areas. The production reported for the United Kingdom is the platform production. This is the amount of crude oil that is produced from the field into the pipeline system that takes

the crude to the onshore terminal. Once the field's crude oil enters the pipeline system it is commingled with the crude oil produced from other fields in the pipeline system that produce the blend of crude oil that is sold. The crude oil that is pumped into the pipeline system is tested against the blend of crude oil that arrives at the terminal and an adjustment is made to the number of barrels allocated to each field to reflect the relative quality of the crude oil input into the system. There is a quality adjustment of approximately minus five percent applied to the United Kingdom crude oil produced. In Tunisia, a portion of the production is allocated to the Tunisian state as a royalty payment. In Indonesia, production is allocated under a Production Sharing Contract (PSC) where, as part of the commercial terms of the agreement, a part of the working interest production is allocated to the host country as a type of royalty payment.

### Production cost

Production costs for the nine month period ended 30 September 2008 amounted to MSEK 1,723.2 (MSEK 1,516.7) and MSEK 545.0 (MSEK 526.3) for the third quarter of 2008 and are detailed in Note 2. The reported cost of operations amounted to USD 22.08 per barrel (USD 16.56 per barrel) for the nine month period ended 30 September 2008 and USD 19.27 per barrel (USD 18.33 per barrel) for the third quarter of 2008.

Production costs for the nine month period ended 30 September 2008 expressed in US dollars were comprised as follows:

<b>Production cost and depletion</b> in TUSD	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
Cost of operations	189,686	68,367	166,141	55,768	231,533
Tariff and transportation expenses	23,726	9,438	20,041	6,558	28,995
Royalty and direct taxes	71,221	25,904	38,068	13,303	57,041
Changes in inventory/overlift	-5,869	-17,345	-3,495	2,376	18,249
<b>Total production costs</b>	<b>278,764</b>	86,364	220,755	78,005	335,818
Depletion	111,120	48,892	119,333	34,941	147,790
<b>Total</b>	<b>389,884</b>	135,256	340,088	112,946	483,608

<b>Production cost and depletion</b> in USD per boe	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
Cost of operations	22.08	19.27	16.56	18.33	18.28
Tariff and transportation expenses	2.76	2.66	2.00	2.16	2.29
Royalty and direct taxes	8.29	7.30	3.79	4.37	4.50
Changes in inventory/overlift	-0.68	-4.89	-0.35	0.78	1.44
<b>Total production costs</b>	<b>32.45</b>	24.34	22.00	25.64	26.51
Depletion	12.94	13.78	11.89	11.48	11.67
<b>Total cost per boe</b>	<b>45.39</b>	38.12	33.89	37.12	38.18

The cost of operations per barrel for the third quarter of 2008 was 22% lower compared to the second quarter of 2008 primarily due to the increased production in the third quarter following the inclusion of the production from the Alvhheim field, which came onstream in June 2008. Total production in the third quarter was 40% higher compared to the second quarter of 2008, however the actual cost of operations was 10% higher. The increase in the cost of operations was attributable to the inclusion of a full quarter of Alvhheim operating costs and increased costs in the United Kingdom in line with forecast during the third quarter of 2008.

The overall cost of operations for the nine month period ended 30 September 2008 was 7% lower than forecast as a result of the impact of the stronger USD and the later than anticipated start up of the Alvhheim field. The cost of operations per barrel for the nine month period ended 30 September 2008 was 8% higher than forecast due to lower production volumes associated with the Alvhheim field first production delay and the production below forecast in the United Kingdom.

Royalty and direct taxes includes Russian Mineral Resource Extraction Tax ("MRET") and Russian Export Duties. The rate of MRET varies in relation to world oil prices and is levied on the volume of Russian production. MRET averaged USD 21.75 per barrel for the nine month period ended 30 September 2008. The rate of export duty on Russian oil is revised by the Russian Federation once every two months and is dependant on the price obtained for Russian oil on

the export market. The export duty is levied on the volume of oil exported from Russia and averaged USD 51.26 per barrel for the nine month period ended 30 September 2008. The higher oil price seen during 2008 has resulted in the increase in the royalty and direct taxes cost per barrel compared to the prior year.

As mentioned in the production section, there are both permanent and timing differences that result in sales volumes not being equal to production volumes during a period. Changes to the hydrocarbon inventory and under or overlift positions result from timing differences. In the United Kingdom, monthly sales are nominated in advance and at 30 June 2008, nominated liftings had exceeded allocated production. During the third quarter of 2008 this position reversed and resulted in a MUSD 16.6 reduction in changes in the inventory/overlift in the nine month period ended 30 September 2008.

#### **Depletion**

Depletion of oil and gas properties for the nine month period ended 30 September 2008 amounted to MSEK 686.9 (MSEK 819.9) and MSEK 305.8 (MSEK 234.4) for the third quarter of 2008 and is detailed in Note 3. The depletion charge in the third quarter of 2008 increased compared to the second quarter of 2008 due to the higher production and the inclusion of depletion on the Alvhheim field for the full quarter. The depletion rate per barrel in the nine month period ended 30 September 2008 is in line with the forecast.

## FINANCIAL REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

### Exploration Costs

Exploration costs for the nine month period ended 30 September 2008 amounted to MSEK 284.1 (MSEK 209.9) and MSEK 95.6 (MSEK 128.0) for the third quarter of 2008. Exploration and appraisal project costs are capitalised as they are incurred and then reviewed on a regular basis to assess their future recoverability. When a decision is made not to proceed with a project the relevant costs are expensed.

During the first quarter of 2008, the Ridgewood exploration well 12/17b-1 on Licence P1301 in the United Kingdom and the Nyal-1 exploration well in Sudan Block 5B were plugged and abandoned as dry holes. In May 2008, the Wan Machar-1 well in Sudan Block 5B was plugged and abandoned as a dry hole. During the third quarter of 2008 the decision was made that the Torphins well in the United Kingdom was not commercially viable and costs associated with drilling of that well and the L7M exploration well in the Netherlands have been written off and amounted to MSEK 82.6 and MSEK 9.4 respectively.

### Sale of assets

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

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

### Other income

Other income for the nine month period ended 30 September 2008 amounted to MSEK 2.5 (MSEK 2.1) and MSEK 1.5 (MSEK 1.1) for the third quarter of 2008 and

represents fees and costs recovered by Lundin Petroleum from third parties.

### General, administrative and depreciation expenses

General, administrative and depreciation expenses for the nine month period ended 30 September 2008 amounted to MSEK 109.1 (MSEK 135.9) and MSEK 24.4 (MSEK 27.1) for the third quarter of 2008. Depreciation charges amounted to MSEK 15.7 (MSEK 12.5) for the nine month period ended 30 September 2008.

### Financial income

Financial income for the nine month period ended 30 September 2008 amounted to MSEK 64.0 (MSEK 174.9) and MSEK 9.6 (MSEK 116.3) for the third quarter of 2008 and is detailed in Note 4. Interest income for the nine month period ended 30 September 2008 amounted to MSEK 27.2 (MSEK 27.9) and includes interest received on bank accounts of MSEK 23.6 (MSEK 24.2) and interest received on a loan to an associated company of MSEK 3.6 (MSEK 3.7).

Dividend income received for the nine month period ended 30 September 2008 amounted to MSEK 9.2 (MSEK 20.4) and relates to distributions received from an unconsolidated investment in a company owning an interest in the Dutch gas processing and transportation infrastructure (NOGAT). The comparison period includes a dividend income relating to Lundin Latina de Petróleos S.A.'s interest in the Venezuelan company Baripetrol amounting to MSEK 14.3.

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

### Financial expense

Financial expenses for the nine month period ended 30 September 2008 amounted to MSEK 380.4 (MSEK 97.7) and MSEK 453.6 (MSEK 33.1) for the third quarter of 2008 and are detailed in Note 5. Interest expense for the nine month period ended 30 September 2008 amounted to MSEK 87.0 (MSEK 62.8) and mainly relates to the bank loan facility.

The amortisation of financing fees for the nine month period ended 30 September 2008 amounted to MSEK 7.6 (MSEK 0.6) and MSEK 3.5 (MSEK 0.2) for the third quarter of 2008. During the fourth quarter of 2007, Lundin Petroleum signed new credit facilities totalling USD one billion. The fees capitalised in relation to the new credit facilities will be amortised over the anticipated usage of the facility.

Net exchange losses for the nine month period ended 30 September 2008 amounted to MSEK 246.0 (MSEK -124.1) and MSEK 404.3 (MSEK -102.3) for the third quarter of 2008. Exchange rate variations result primarily from fluctuations in the value of the USD against a pool of currencies which includes, amongst others, NOK, EUR and the Russian Rouble (RUR). Lundin Petroleum has USD denominated debt recorded in subsidiaries using a functional currency other than USD. During the third quarter of 2008 the USD strengthened against the NOK and other currencies resulting in a net exchange loss for the quarter reversing the net exchange gains made in the first six months of the year.

#### **Result from share in associated company**

The result from share in associated company for the nine months ended 30 September 2008 amounted to MSEK 37.0 (MSEK -) and MSEK -7.4 (MSEK -) for the third quarter of 2008 and consists of the 44.81% equity share of the result of PetroFalcon owned by Lundin Petroleum offset by the fair value adjustment to the investment in PetroFalcon arising from sale of Lundin Petroleum's subsidiary, Lundin Latina de Petroleos SA.

#### **Tax**

The tax charge for the nine month period ended 30 September 2008 amounted to MSEK 1,057.9 (MSEK 726.0) and MSEK 459.5 (MSEK 267.3) for the third quarter of 2008 and is detailed in Note 6.

The current tax charge of MSEK 393.4 (MSEK 319.7) for the nine month period ended 30 September 2008 comprises current tax charges in France, the Netherlands, Tunisia, United Kingdom, Indonesia and Russia. The comparative period includes a credit received in United Kingdom relating to the 2003-2005 corporation tax returns of MSEK 48.6 and the tax refund due of MSEK 184.2 in Norway for 2007 exploration expenditure.

The deferred tax charge for the nine month period ended 30 September 2008 amounted to MSEK 664.5 (MSEK 406.3) and consists of corporation tax amounting to MSEK 660.7 (MSEK 370.5) and petroleum tax amounting to MSEK 3.8 (MSEK 35.8). The deferred tax charge is higher for the first nine months of 2008 as compared to the comparative period due primarily to the utilisation of losses in Norway to offset the taxable income generated by the Alvheim field. Included in the deferred tax charge is a charge of MSEK 1,068.2 due to timing differences in the rate of depletion of oil and gas assets between accounting and fiscal reporting, partly offset by tax losses carried forward in Norway, United Kingdom and the Netherlands, amounting to MSEK 190.7, MSEK 94.6 and MSEK 65.8 respectively.

The Group operates in various countries and fiscal regimes where corporate income tax rates are different from the regulations in Sweden. Corporate income tax rates for the Group vary between 24% and 78%. The historic taxable profits have been dominated by the income generated in the United Kingdom where the tax rate is 50%, following the start up of the Alvheim field the profit contribution from Norway has increased significantly raising the effective rate of tax to between 55%-60%. The effective tax rate for the Group for the nine month period ended 30 September 2008 amounts to approximately 50% and is lower than forecast due to the non-taxable gains in relation to the sale of Lundin Latina de Petróleos S.A. and the Jotun field and the result from the investment in associated companies.

#### **Minority interest**

The net result attributable to minority interest for the nine month period ended 30 September 2008 amounted to MSEK -54.4 (MSEK -1.8) and MSEK -50.7 (MSEK 11.9) for the third quarter of 2008 and relates primarily to the minority portion of the Russian subsidiaries which are fully consolidated.

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### BALANCE SHEET

#### Non-current assets

Oil and gas properties as at 30 September 2008 amounted to MSEK 19,791.8 (MSEK 16,776.1) and are detailed in Note 7. Development and exploration expenditure incurred for the nine month period ended 30 September 2008 is as follows:

<b>Development expenditure</b> in MSEK	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
United Kingdom	778.9	198.2	418.2	172.9	776.6
France	71.0	21.8	104.9	6.2	115.6
Norway	650.5	209.2	774.3	248.9	1,062.4
Netherlands	46.4	7.6	29.5	12.0	48.9
Indonesia	68.3	29.1	21.4	6.5	29.7
Russia	85.0	25.5	168.4	91.5	221.6
Tunisia	6.2	0.1	47.1	15.1	55.9
<b>Development expenditures</b>	<b>1,706.3</b>	491.5	1,563.8	553.1	2,310.7

<b>Exploration expenditure</b> in MSEK	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
United Kingdom	154.5	94.1	209.4	159.2	401.9
France	12.4	9.0	2.8	0.4	4.6
Norway	626.2	220.4	236.2	169.9	476.6
Indonesia	25.9	17.0	82.3	50.6	98.3
Russia	372.8	189.9	202.0	93.1	300.5
Sudan	169.2	44.9	70.6	9.0	141.4
Ethiopia	27.3	9.7	33.9	19.9	56.5
Vietnam	36.0	8.0	19.0	2.9	47.4
Cambodia	60.6	45.4	-	-	-
Congo (Brazzaville)	13.9	7.5	26.1	6.8	28.5
Kenya	26.7	18.7	-	-	-
Malaysia	32.1	24.4	-	-	-
Other	23.8	3.2	32.3	10.2	61.7
<b>Exploration expenditures</b>	<b>1,581.4</b>	692.2	914.6	522.0	1,617.4



Other tangible assets as at 30 September 2008 amounted to MSEK 114.0 (MSEK 103.8).

The book value for goodwill in relation to the acquisition of the Russian business in 2006 amounted to MSEK 815.2 (MSEK 763.5) as at 30 September 2008. The movement in book value results from a change in exchange rate used for the consolidation of the financial statements.

Financial assets as at 30 September 2008 amounted to MSEK 933.2 (MSEK 538.9) and are detailed in Note 8. Share in associated company amounting to MSEK 464.3 (MSEK -) relates to the 44.81% share in PetroFalcon. Other shares and participations amounted to MSEK 184.4 (MSEK 245.7) as at 30 September 2008. The movement in Other shares and participations results from the sale of the 5 percent shareholding in Baripetrol, held by Lundin Latina de Petróleos S.A. which was sold to PetroFalcon on 1 February 2008 offset by the acquisition of a 1.8% share in Revus Energy ASA. At 30 September 2008 the Revus shares were recorded at a value of MSEK 66.8. Restricted cash as at 30 September 2008 amounted to MSEK - (MSEK 23.8). Capitalised financing fees as at 30 September 2008 amounted to MSEK 72.1 (MSEK 63.4) and relate to the fees incurred in establishing the new bank credit facility and are being amortised over the period of estimated usage of the facility. Long-term receivables as at 30 September 2008 amounted to MSEK 31.3 (MSEK 62.5) and relate to an amount paid to BNP Paribas to fund a bank loan held in a Russian jointly controlled entity. Derivative instruments as at 30 September 2008 amounts to MSEK 6.8 (MSEK -) and relate to the long term portion of the fair value of the interest rate swap entered into on 8 January 2008. Other financial assets as at 30 September 2008 amounted to MSEK 174.2 (MSEK 143.5) and mainly represent VAT paid on exploration and development costs in Russia that is expected to be recovered from VAT received on future project revenues.

The deferred tax asset as at 30 September 2008 amounted to MSEK 195.4 (MSEK 121.9).

#### **Current assets**

Receivables and inventories amounted to MSEK 1,974.4 (MSEK 1,543.4) as at 30 September 2008 and are detailed in Note 9. Inventories include hydrocarbons and consumable well supplies. The short-term receivable relates to the short term portion of the BNP Paribas funding described in financial assets above. Corporation tax receivables as at 30

September 2008 amounted to MSEK 395.4 (MSEK 396.1) and relate primarily to a tax refund due in Norway for exploration expenditure incurred during 2007.

Cash and cash equivalents as at 30 September 2008 amounted to MSEK 818.4 (MSEK 483.5). Cash balances were held at 30 September 2008 to meet operational requirements, particularly in Norway for exploration expenditures and the non-operated Volund and Alvheim field development expenditure.

#### **Non-current liabilities**

Provisions as at 30 September 2008 amounted to MSEK 5,640.6 (MSEK 4,771.4) and are detailed in Note 10. This amount includes a provision for site restoration of MSEK 658.5 (MSEK 700.8).

The provision for deferred tax amounted to MSEK 4,938.7 (MSEK 4,037.8) and is mainly arising on the excess of book value over the tax value of oil and gas properties and the deferred tax gross up of the excess purchase price allocated to the Russian assets acquired in 2006. In accordance with IFRS the amounts for deferred tax asset have been offset against the deferred tax liability where offsettable. The net deferred tax liability includes tax losses carry forward relating primarily to Norway and United Kingdom of MSEK 978.8 and MSEK 385.7 respectively.

Long term interest bearing debt amounted to MSEK 4,194.7 (MSEK 2,740.2) as at 30 September 2008. On 26 October 2007 a new credit facility was entered into to repay the existing facility, to provide liquidity for the Company's operations and to enable the funding of potential new projects and acquisition opportunities. The financing facilities consist of a USD 850 million revolving borrowing base and letter of credit facility with a seven year term expiring 2014 and a USD 150 million unsecured corporate facility with a three year term expiring 2010. The facilities were fully underwritten by BNP Paribas and sub-underwriters Bank of Scotland and Royal Bank of Scotland. The cash drawings outstanding under the credit facility amounted to MUS\$ 608.0 as at 30 September 2008. The long term interest bearing debt also includes the long-term portion of a bank loan drawn by a jointly controlled entity in Russia.

Lundin Petroleum has, through its subsidiary Lundin Malaysia BV, entered into three Production Sharing Contracts (PSC) with Petrolim Nasional Berhad, the

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oil and gas company of the Government of Malaysia ("Petronas"), in respect of the licenses PM308A, PM308B and SB303 in Malaysia. BNP Paribas, on behalf of Lundin Malaysia BV have issued bank guarantees in support of the work commitments in relation to these PSCs amounting to MUSD 113.8. In addition, BNP Paribas have issued additional bank guarantees to cover work commitments in Indonesia and Ethiopia amounting to MUSD 8.5.

### Current liabilities

Current liabilities as at 30 September 2008 amounted to MSEK 2,008.3 (MSEK 1,767.4) and are detailed in Note 11. The overlift position as at 30 September 2008 amounted to MSEK 150.6 (MSEK 151.3). Joint venture creditors as at 30 September 2008 amounted to MSEK 1,063.2 (MSEK 898.3) and mainly relate to the amounts payable for the development activities in progress in Norway and United Kingdom and ongoing operational costs. Short-term interest bearing debt as at 30 September 2008 amounted to MSEK 47.2 (MSEK 44.3) and relates to the current portion of a bank loan drawn by a jointly controlled entity in Russia. Tax payable as at 30 September 2008 amounted to MSEK 240.8 (MSEK 213.2). The short term portion of the fair value of the interest rate swap entered into on 8 January 2008 included in current liabilities as at 30 September 2008 amounted to MSEK 6.1 (MSEK -).

### 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 -3.2 (MSEK 37.6) for the nine month period ended 30 September 2008 and MSEK 2.7 (MSEK 0.8) for the third quarter of 2008.

The result included general and administrative expenses of MSEK 29.5 (MSEK 28.4) for the nine month period ended 30 September 2008 and MSEK 18.0 (MSEK 7.4) for the third quarter of 2008. Interest income derived from loans to subsidiary companies amounted to MSEK 9.3 (MSEK 18.8) for the nine month period ended 30 September 2008. Currency exchange gains amounted to MSEK 1.6 (MSEK 31.0) for the nine month period ended 30 September 2008.

An amount of MSEK 1.9 is included as a current payable towards a related party. No deferred tax asset has been recorded against the historic losses incurred by the Parent Company because of uncertainty as to the timing of their utilisation.

### SHARE DATA

Lundin Petroleum AB's issued share capital at 30 September 2008 amounted to SEK 3,179,106 represented by 317,910,580 shares with a quota value of SEK 0.01 each.

The Annual General Meeting ("AGM") of Lundin Petroleum held on 13 May 2008 resolved to authorise the Board of Directors to decide on repurchases and sales of Lundin Petroleum shares on the OMX Nordic Exchange Stockholm ("OMX") during the period until the next AGM. The maximum number of shares could be repurchased and held in treasury from time to time do not exceed five percent of all shares of Lundin Petroleum. The purpose of the authorization is to provide the Board of Directors with an instrument to optimise Lundin Petroleum's capital structure and thereby create added value for the shareholders and to secure Lundin Petroleum's costs in relation to the long term variable bonus retention program.

On 16 September 2008 the Board of Directors, based on the authorization by the AGM, resolved to mandate the management to execute repurchases of Lundin Petroleum shares on OMX. Under this mandate 1,187,800 shares were acquired during the third quarter of 2008. As at 30 September 2008 Lundin Petroleum held 2,052,800 of its own shares. Subsequent to the period end Lundin Petroleum acquired a further 2,437,500 shares resulting in a total number of shares held of 4,490,300.

The following incentive warrants have been issued under the Group's incentive programme for employees. The incentive warrants outstanding at the end of the period and their expiry date and exercise prices are shown below:

	Issued 2006	Issued 2007
Exercise price (SEK)	97.40	78.05
Number authorised	3,250,000	3,950,000
Number outstanding	2,986,000	3,351,500 <sup>1</sup>
Exercise period	15 June 2007 -31 May 2009	1 Dec 2008 -31 May 2010

<sup>1</sup>Maximum number of options outstanding. The number is dependent on the achievement of certain performance conditions.

In 2007 Lundin Petroleum implemented a Long-Term Incentive Plan (LTIP) consisting of a Share Option Plan and a Performance Share Plan. Employees had the choice to select either the Share Option Plan, the Performance Share Plan or a 50/50 allocation of both. Both plans have a performance condition relative to Total Shareholder Return (TSR) attached to their allocation. The options under the Share Option Plan will be issued between 0 and 100% of the options granted and the shares under the Performance Share Plan will be issued between 50 and 100% of the award of shares. Under the Performance Share Plan, Lundin Petroleum made a conditional award of 67,751 shares. In June 2007, Lundin Petroleum acquired 68,000 of its own shares to fully hedge its potential obligation under the Performance Share Plan.

In addition to these incentive warrants, 642,500 incentive warrants were acquired and converted to Lundin Petroleum incentive warrants and another 371,500 incentive warrants in Lundin Petroleum were issued in connection with the acquisition of Valkyries Petroleum Corp.. The number of incentive warrants associated with the Valkyries acquisition outstanding at 30 September 2008 amounted to 275,000 with an exercise price of 97.40 SEK with exercise period up to 31 May 2009.

In 2008 Lundin Petroleum implemented a new Long-Term Incentive Plan (LTIP) consisting of a Unit Bonus Plan which provides for an annual grant of units that will lead to a cash payment at vesting. The share price for determining the cash payment at the end of each vesting period will be the 5 trading day average closing Lundin Petroleum share price prior to and following the actual vesting date. In June 2008 Lundin Petroleum acquired 797,000 of its own shares to fully hedge its potential cash obligation under the 2008 LTIP. Such acquisitions have been approved by the Board as supported by an authorisation from the shareholders at the annual general meeting.

#### **ACCOUNTING PRINCIPLES**

The financial statements of the Group have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Reporting, and the Swedish Annual Accounts Act (1995:1554). The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

The financial statements of the Parent Company are prepared in accordance with accounting principles generally accepted in Sweden, applying RFR 2.1 Reporting for legal entities and the Annual Accounts Act (1995:1554). RFR 2.1 requires the Parent Company to use similar accounting principles as for the Group, i.e. IFRS to the extent allowed by RFR 2.1. The Parent Company's accounting principles do not in any material respect deviate from the Group principles.

#### **RISKS AND UNCERTAINTIES**

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

#### **Operational risk**

The Group faces a number of risks and uncertainties in the areas of operation which may have an adverse impact on its ability to successfully pursue its exploration, appraisal and development plans as well as on its production of oil and gas. A more detailed analysis of the operational risks faced by Lundin Petroleum is given in the Company's annual report for 2007.

Lundin Petroleum is, and will be, actively engaged in oil and gas operations in various countries. Risks may arise in changes in laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange and exchange control. Further, certain aspects of Lundin Petroleum's exploration and production programmes require the consent or favourable decisions of governmental bodies. In addition, Lundin Petroleum's

## FINANCIAL REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

exploration, development and production activities may be subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, taxation, royalties, duties, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which Lundin Petroleum's operations are conducted, as well as risks of loss in some countries due to civil strife, acts of war, guerrilla activities and insurrection.

### Financial risk

As an international oil and gas exploration and production company operating globally, Lundin Petroleum is exposed to financial risks such as fluctuations in oil price, currency rates, interest rates as well as liquidity and credit risks. The Company shall seek to control these risks through sound management practice and the use of internationally accepted financial instruments, such as oil price and interest rate hedges. Lundin Petroleum uses financial instruments solely for the purpose of minimising risks in the Company's business. A more detailed analysis of the financial risks faced by Lundin Petroleum and how it addresses these risks is given in the Company's annual report for 2007.

### Derivative financial instruments

The Group entered into an interest hedging contract on 10 January 2008, fixing the LIBOR rate of interest at 3.75% p.a. on MUSD 200 of the Group's USD borrowings for the period January 2008 to January 2012. The interest rate contract relates to the current credit facility. Under IAS 39, the interest rate contract is effective and qualifies for hedge accounting. Changes in fair value of this contract are charged directly to equity. At 30 September 2008, the asset recognised in the balance sheet amounted to MSEK 6.8, representing the long-term portion of the fair value of the outstanding part of the interest rate contract and a liability in the balance sheet amounting to MSEK 6.1 representing the short-term portion of the fair value of the outstanding part of the interest rate contract.

At the end of September 2008, the Group entered into the following currency hedging contracts for 2009 fixing the rate of exchange from USD into GBP, EUR, NOK and CHF. Under IAS39, subject to hedge effectiveness testing, these hedges will be treated as effective and changes to the fair value will be reflected in equity.

Buy	Sell	Average contractual exchange rate	Settlement period
MGBP 78.0	MUSD 139.8	1.7923	2 Jan 2009 – 1 Dec 2009
MEUR 21.6	MUSD 31.6	1.4650	2 Jan 2009 – 1 Dec 2009
MNOK 192.0	MUSD 33.7	5.6975	2 Jan 2009 – 1 Dec 2009
MCHF 12.0	MUSD 11.2	0.9350	2 Jan 2009 – 1 Dec 2009

### EXCHANGE RATES

For the preparation of the financial statements for the nine month period ended 30 September 2008, the following currency exchange rates have been used.

	Average	Period end
1 EUR equals SEK	9.4079	9.7943
1 USD equals SEK	6.1817	6.8477

## CONSOLIDATED INCOME STATEMENT

Expressed in TSEK	Note	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
<b>Operating income</b>						
Net sales of oil and gas	1	4,998,488	2,113,248	3,962,742	1,288,745	5,353,654
Other operating income		81,260	34,528	99,305	33,243	130,641
		<b>5,079,748</b>	2,147,776	4,062,047	1,321,988	5,484,295
<b>Cost of sales</b>						
Production costs	2	-1,723,233	-544,978	-1,516,719	-526,316	-2,266,911
Depletion of oil and gas properties	3	-686,913	-305,826	-819,890	-234,375	-997,644
Exploration costs		-284,132	-95,575	-209,889	-127,991	-369,596
<b>Gross profit</b>		<b>2,385,470</b>	1,201,397	1,515,549	433,306	1,850,144
Sale of assets		130,547	39,513	-	-	-
Other income		2,463	1,529	2,130	1,100	3,285
General, administration and depreciation expenses		-109,107	-24,372	-135,858	-27,088	-172,045
<b>Operating profit</b>		<b>2,409,373</b>	1,218,067	1,381,821	407,318	1,681,384
<b>Result from financial investments</b>						
Financial income	4	64,045	9,620	174,875	116,335	266,556
Financial expenses	5	-380,404	-453,594	-97,733	-33,105	-137,429
		<b>-316,359</b>	-443,974	77,142	83,230	129,127
<b>Result from share in associated company</b>						
		<b>36,951</b>	-7,378	-	-	-
<b>Profit before tax</b>		<b>2,129,965</b>	766,715	1,458,963	490,548	1,810,511
Tax	6	-1,057,916	-459,484	-726,015	-267,344	-858,037
<b>Net result</b>		<b>1,072,049</b>	307,231	732,948	223,204	952,474
<b>Net result attributable to:</b>						
Shareholders of the parent company		1,126,407	357,926	734,773	211,279	956,953
Minority interest		-54,358	-50,695	-1,825	11,925	-4,479
<b>Net result</b>		<b>1,072,049</b>	307,231	732,948	223,204	952,474
Earnings per share – SEK <sup>1</sup>		3.56	1.13	2.33	0.67	3.04
Diluted earnings per share – SEK <sup>1</sup>		3.56	1.13	2.33	0.67	3.03

<sup>1</sup> Based on net result attributable to shareholders of the parent company.

## CONSOLIDATED BALANCE SHEET

Expressed in TSEK	Note	30 September 2008	31 December 2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Oil and gas properties	7	19,791,783	16,776,124
Other tangible assets		113,969	103,766
Goodwill		815,199	763,521
Financial assets	8	933,198	538,938
Deferred tax <sup>1</sup>		195,366	121,936
<b>Total non-current assets</b>		<b>21,849,515</b>	18,304,285
<b>Current assets</b>			
Receivables and inventory	9	1,974,360	1,543,383
Cash and cash equivalents		818,415	483,452
<b>Total current assets</b>		<b>2,792,775</b>	2,026,835
<b>TOTAL ASSETS</b>		<b>24,642,290</b>	20,331,120
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Shareholders' equity		11,417,037	9,705,949
Minority interest		1,381,614	1,346,164
<b>Total equity</b>		<b>12,798,651</b>	11,052,113
<b>Non-current liabilities</b>			
Provisions <sup>1</sup>	10	5,640,626	4,771,421
Bank loans		4,194,748	2,740,168
<b>Total non-current liabilities</b>		<b>9,835,374</b>	7,511,589
<b>Current liabilities</b>			
	11	<b>2,008,265</b>	1,767,418
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24,642,290</b>	20,331,120
Pledged assets		4,581,653	3,446,804
Contingent liabilities		160,921	150,720

<sup>1</sup> The 2007 amounts have been adjusted by MSEK 722.1 to reflect the offset of deferred tax asset against deferred tax liability.

## CONSOLIDATED STATEMENT OF CASHFLOW

Expressed in TSEK	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
<b>Cash flow from operations</b>					
Net result	1,072,049	307,231	732,948	223,204	952,474
Adjustments for non-cash related items	2,265,289	1,332,769	1,614,072	391,437	2,195,247
Interest received	23,239	-1,826	20,101	7,689	29,751
Interest paid	-140,442	-13,876	-26,526	25,200	-153,788
Tax instalments paid	-268,495	-81,481	-286,172	86,990	-311,889
Changes in working capital	-219,189	186,443	169,999	72,251	465,911
<b>Total cash flow from operations</b>	<b>2,732,451</b>	<b>1,729,260</b>	<b>2,224,422</b>	<b>806,771</b>	<b>3,177,706</b>
<b>Cash flow used for investments</b>					
Investment in subsidiary assets	-	-	-	-	-67,760
Investment in associated company	-170,500	-	-	-	-
Investment in other shares and participations	-66,829	-66,829	-	-	-
Change in other financial fixed assets	3,716	3,515	136	60	-6,170
Other payments	-1,174	-162	14	2	622
Divestment of fixed assets	4,116	1,055	-	-	-
Investment in oil and gas properties	-3,287,655	-1,183,677	-2,818,770	-1,069,176	-4,260,612
Investment in other tangible assets	-25,463	-8,121	-17,575	-2,656	-21,415
<b>Total cash flow used for investments</b>	<b>-3,543,789</b>	<b>-1,254,219</b>	<b>-2,836,195</b>	<b>-1,071,770</b>	<b>-4,355,335</b>
<b>Cash flow from financing</b>					
Investment in financial fixed asset	-	-	6,499	6,499	-106,784
Changes in long-term bank loan	1,178,183	195,255	793,924	166,369	1,516,102
Paid financing fees	-13,773	-720	-5,986	-	-71,181
Purchase of own shares	-128,260	-56,028	-4,395	-	-4,395
Proceeds from share issues	142,072	-	54,586	1,551	61,207
Dividend paid to minority	-	-	-	-	-765
<b>Total cash flow from financing</b>	<b>1,178,222</b>	<b>138,507</b>	<b>844,628</b>	<b>174,419</b>	<b>1,394,184</b>
Change in cash and cash equivalents	366,884	613,548	232,855	-90,580	216,555
Cash and cash equivalents at the beginning of the period	483,452	214,413	297,221	616,131	297,221
Currency exchange difference in cash and cash equivalents	-31,921	-9,546	-28,431	-23,906	-30,324
<b>Cash and cash equivalents at the end of the period</b>	<b>818,415</b>	<b>818,415</b>	<b>501,645</b>	<b>501,645</b>	<b>483,452</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Expressed in TSEK	Share capital	Additional paid-in-capital/ Other reserves	Retained earnings	Net result	Minority interest	Total equity
<b>Balance at 1 January 2007</b>	<b>3,142</b>	<b>5,780,711</b>	<b>2,365,822</b>	<b>803,005</b>	<b>1,615,131</b>	<b>10,567,811</b>
Transfer of prior year net result	–	–	803,005	-803,005	–	–
Currency translation difference	–	-209,899	–	–	-92,398	-302,297
Change in fair value	–	-9,988	–	–	–	-9,988
<b>Income and expenses recognised directly in equity</b>	<b>–</b>	<b>-219,887</b>	<b>–</b>	<b>–</b>	<b>-92,398</b>	<b>-312,285</b>
Net result	–	–	–	734,773	-1,825	732,948
<b>Total recognised income and expense</b>	<b>–</b>	<b>-219,887</b>	<b>–</b>	<b>734,773</b>	<b>-94,223</b>	<b>420,663</b>
Transfer to income statement	–	-288	–	–	–	-288
Issuance of shares	12	54,574	–	–	–	54,586
Purchase of own shares	–	-4,395	–	–	–	-4,395
Transfer of share based payments	–	7,440	-7,440	–	–	–
Share based payments	–	–	23,945	–	–	23,945
Minority share in dividend paid	–	–	–	–	-763	-763
<b>Balance at 30 September 2007</b>	<b>3,154</b>	<b>5,618,155</b>	<b>3,185,332</b>	<b>734,773</b>	<b>1,520,145</b>	<b>11,061,559</b>
Currency translation difference	–	-61,200	–	–	-4,182	-65,382
Change in fair value	–	-2,259	–	–	-167,143	-169,402
<b>Income and expenses recognised directly in equity</b>	<b>–</b>	<b>-63,459</b>	<b>–</b>	<b>–</b>	<b>-171,325</b>	<b>-234,784</b>
Net result	–	–	–	222,180	-2,654	219,526
<b>Total recognised income and expense</b>	<b>–</b>	<b>-63,459</b>	<b>–</b>	<b>222,180</b>	<b>-173,979</b>	<b>-15,258</b>
Issuance of shares	1	6,620	–	–	–	6,621
Transfer of share based payments	–	807	-807	–	–	–
Share based payments	–	–	-807	–	–	-807
Minority share in dividend paid	–	–	–	–	-2	-2
<b>Balance at 31 December 2007</b>	<b>3,155</b>	<b>5,562,123</b>	<b>3,183,718</b>	<b>956,953</b>	<b>1,346,164</b>	<b>11,052,113</b>
Transfer of prior year net result	–	–	956,953	-956,953	–	–
Currency translation difference	–	568,331	–	–	89,808	658,139
Change in fair value	–	-10,799	–	–	–	-10,799
<b>Income and expenses recognised directly in equity</b>	<b>–</b>	<b>557,532</b>	<b>–</b>	<b>–</b>	<b>89,808</b>	<b>647,340</b>
Net result	–	–	–	1,126,407	-54,358	1,072,049
<b>Total recognised income and expense</b>	<b>–</b>	<b>557,532</b>	<b>–</b>	<b>1,126,407</b>	<b>35,450</b>	<b>1,719,389</b>
Issuance of shares	24	142,048	–	–	–	142,072
Purchase of own shares	-20	-128,240	–	–	–	-128,260
Transfer of share based payments	–	17,322	-17,322	–	–	–
Share based payments	–	–	13,337	–	–	13,337
<b>Balance at 30 September 2008</b>	<b>3,159</b>	<b>6,150,785</b>	<b>4,136,686</b>	<b>1,126,407</b>	<b>1,381,614</b>	<b>12,798,651</b>



## NOTES TO THE FINANCIAL STATEMENTS OF THE GROUP

<b>Note 1. Segment information, TSEK</b>	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
<b>Operating income</b>					
Net sales of:					
Crude oil					
- United Kingdom	1,789,261	626,760	1,810,073	631,797	2,440,631
- Netherlands	4,462	211	-	-	-
- France	703,539	253,152	440,533	188,753	651,961
- Norway	930,765	719,142	82,537	28,568	112,668
- Indonesia	242,207	88,689	189,783	42,982	295,493
- Russia	697,725	247,610	451,051	162,116	637,454
- Tunisia	317,233	51,169	776,431	168,523	923,214
	<b>4,685,192</b>	1,986,733	3,750,408	1,222,739	5,061,421
Condensate					
- United Kingdom	13,738	210	16,485	7,473	22,306
- Netherlands	5,675	2,173	5,448	1,890	7,920
- Indonesia	1,321	192	1,402	35	1,402
	<b>20,734</b>	2,575	23,335	9,398	31,628
Gas					
- Norway	38,203	38,068	327	96	417
- Netherlands	254,102	85,803	188,073	56,394	259,014
- Indonesia	257	69	599	118	1,174
	<b>292,562</b>	123,940	188,999	56,608	260,605
	<b>4,998,488</b>	2,113,248	3,962,742	1,288,745	5,353,654
<b>Operating profit contribution</b>					
- United Kingdom	697,031	265,997	617,864	189,973	684,744
- France	512,865	176,820	273,849	118,965	421,824
- Norway	815,247	667,846	24,343	10,942	-19,823
- Netherlands	144,882	42,473	88,643	24,896	122,860
- Russia	89,311	29,179	75,415	45,733	94,435
- Indonesia	64,691	10,832	-2,540	-21,863	31,113
- Tunisia	215,518	48,015	461,881	87,573	524,796
- Other	-130,172	-23,095	-157,634	-48,901	-178,565
<b>Total operating profit contribution</b>	<b>2,409,373</b>	1,218,067	1,381,821	407,318	1,681,384

## NOTES TO THE FINANCIAL STATEMENTS OF THE GROUP

<b>Note 2. Production costs, TSEK</b>	<b>1 Jan 2008-30 Sep 2008 9 months</b>	1 Jul 2008-30 Sep 2008 3 months	1 Jan 2007-30 Sep 2007 9 months	1 Jul 2007-30 Sep 2007 3 months	1 Jan 2007-31 Dec 2007 12 months
Cost of operations	1,172,583	429,623	1,141,490	375,723	1,562,941
Tariff and transportation expenses	146,668	59,169	137,695	44,148	195,728
Direct production taxes	440,265	162,746	261,550	89,728	385,052
Change in inventory/ overlift position	-36,283	-106,560	-24,016	16,717	123,190
	<b>1,723,233</b>	<b>544,978</b>	<b>1,516,719</b>	<b>526,316</b>	<b>2,266,911</b>

<b>Note 3. Depletion of oil and gas properties, TSEK</b>	<b>1 Jan 2008-30 Sep 2008 9 months</b>	1 Jul 2008-30 Sep 2008 3 months	1 Jan 2007-30 Sep 2007 9 months	1 Jul 2007-30 Sep 2007 3 months	1 Jan 2007-31 Dec 2007 12 months
United Kingdom	296,815	106,833	357,078	111,707	435,820
France	59,448	19,833	44,315	16,044	60,325
Norway	138,898	107,031	17,033	5,172	21,738
Netherlands	62,644	19,034	53,535	16,429	71,081
Indonesia	17,160	5,416	25,559	7,844	35,147
Russia	51,859	18,017	53,922	18,097	68,487
Tunisia	60,089	29,662	268,448	59,082	305,046
	<b>686,913</b>	<b>305,826</b>	<b>819,890</b>	<b>234,375</b>	<b>997,644</b>

<b>Note 4. Financial income, TSEK</b>	<b>1 Jan 2008-30 Sep 2008 9 months</b>	1 Jul 2008-30 Sep 2008 3 months	1 Jan 2007-30 Sep 2007 9 months	1 Jul 2007-30 Sep 2007 3 months	1 Jan 2007-31 Dec 2007 12 months
Interest income	27,190	6,886	27,934	11,780	37,708
Dividends received	9,190	2,730	20,394	2,300	22,499
Foreign exchange gain, net	-	-	124,099	102,255	190,954
Fair value adjustment pension	815	-	-	-	-
Other financial income	26,850	4	2,448	-	15,395
	<b>64,045</b>	<b>9,620</b>	<b>174,875</b>	<b>116,335</b>	<b>266,556</b>

<b>Note 5. Financial expenses, TSEK</b>	<b>1 Jan 2008-30 Sep 2008 9 months</b>	1 Jul 2008-30 Sep 2008 3 months	1 Jan 2007-30 Sep 2007 9 months	1 Jul 2007-30 Sep 2007 3 months	1 Jan 2007-31 Dec 2007 12 months
Loan interest expenses	87,048	32,067	62,753	20,819	86,104
Unwind site restoration discount	25,469	6,467	27,551	11,019	35,387
Result on interest rate hedge settlement	3,610	3,089	-	-	-
Change in market value interest rate hedge	-	-	-11	-	-11
Amortisation of deferred financing fees	7,616	3,505	596	250	7,654
Foreign exchange loss, net	245,989	404,290	-	-	-
Other financial expenses	10,672	4,176	6,844	1,017	8,295
	<b>380,404</b>	<b>453,594</b>	<b>97,733</b>	<b>33,105</b>	<b>137,429</b>

<b>Note 6. Tax,</b> TSEK	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
Current tax	393,435	142,057	319,722	-9,139	91,323
Deferred tax	664,481	317,427	406,293	276,483	766,714
	<b>1,057,916</b>	459,484	726,015	267,344	858,037

<b>Note 7. Oil and gas properties,</b> TSEK	<b>Book amount 30 Sep 2008</b>	Book amount 31 Dec 2007
United Kingdom	3,946,190	3,168,911
France	1,131,987	1,066,780
Norway	4,756,658	3,803,237
Netherlands	432,014	432,212
Indonesia	404,330	301,888
Russia	8,184,558	7,306,384
Tunisia	187,186	230,280
Sudan	281,415	222,967
Congo (Brazzaville)	118,426	96,477
Vietnam	89,694	46,707
Ethiopia	89,327	55,251
Others	169,998	45,030
	<b>19,791,783</b>	16,776,124

<b>Note 8. Financial assets,</b> TSEK	<b>Book amount 30 Sep 2008</b>	Book amount 31 Dec 2007
Share in associated company	464,305	-
Shares and participations	184,392	245,702
Restricted cash	-	23,831
Capitalised financing fees	72,147	63,369
Long-term receivable	31,324	62,530
Derivative instruments	6,820	-
Other financial assets	174,210	143,506
	<b>933,198</b>	538,938

## NOTES TO THE FINANCIAL STATEMENTS OF THE GROUP

<b>Note 9. Receivables and inventories,</b> TSEK	<b>Book amount</b> <b>30 Sep 2008</b>	Book amount 31 Dec 2007
Inventories	137,398	167,714
Trade receivables	969,523	598,545
Underlift	117,727	35,065
Short-term loan receivable	47,249	44,254
Corporation tax	395,407	396,121
Joint venture debtors	142,238	117,312
Other assets	164,818	184,372
	<b>1,974,360</b>	1,543,383

<b>Note 10. Provisions,</b> TSEK	<b>Book amount</b> <b>30 Sep 2008</b>	Book amount 31 Dec 2007
Site restoration	658,457	700,763
Pension	8,815	9,478
Deferred taxes	4,938,699	4,037,827
Other	34,655	23,353
	<b>5,640,626</b>	4,771,421

<b>Note 11. Current liabilities,</b> TSEK	<b>Book amount</b> <b>30 Sep 2008</b>	Book amount 31 Dec 2007
Trade payables	312,041	300,121
Overlift	150,616	151,293
Tax payables	240,756	213,175
Accrued expenses	107,950	88,584
Acquisition liabilities	40,284	38,833
Joint venture creditors	1,063,160	898,340
Short-term bank loans	47,249	44,254
Derivative instruments	6,062	–
Other liabilities	40,147	32,818
	<b>2,008,265</b>	1,767,418

## PARENT COMPANY INCOME STATEMENT IN SUMMARY

Expressed in TSEK	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
<b>Operating income</b>					
Other operating income	15,365	11,148	15,979	7,242	22,389
<b>Gross profit</b>	<b>15,365</b>	11,148	15,979	7,242	22,389
<b>General and administration expenses</b>					
General and administration expenses	-29,477	-18,012	-28,368	-7,443	-39,769
<b>Operating profit</b>	<b>-14,112</b>	-6,864	-12,389	-201	-17,380
<b>Result from financial investments</b>					
Financial income	10,908	9,540	49,987	989	52,047
Financial expenses	-	-	-	-	-
	<b>10,908</b>	9,540	49,987	989	52,047
<b>Profit before tax</b>	<b>-3,204</b>	2,676	37,598	788	34,667
Tax	-	-	-	-	-
<b>Net result</b>	<b>-3,204</b>	2,676	37,598	788	34,667

## PARENT COMPANY BALANCE SHEET IN SUMMARY

Expressed in TSEK	30 September 2008	31 December 2007
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets	7,847,152	7,861,099
<b>Total non-current assets</b>	<b>7,847,152</b>	<b>7,861,099</b>
<b>Current assets</b>		
Receivables	10,572	12,446
Cash and cash equivalents	43,703	8,861
<b>Total current assets</b>	<b>54,275</b>	<b>21,307</b>
<b>TOTAL ASSETS</b>	<b>7,901,427</b>	<b>7,882,406</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity including net result for the period	7,899,229	7,877,724
Current liabilities	2,198	4,682
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,901,427</b>	<b>7,882,406</b>
Pledged assets	4,581,653	3,446,804
Contingent liabilities	160,921	150,720

## PARENT COMPANY CASH FLOW STATEMENT IN SUMMARY

Expressed in TSEK	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
<b>Cash flow used for/from operations</b>					
Net result	-3,204	4,201	37,598	788	34,667
Adjustments for non- cash related items	-1,685	-1,928	-31,011	1,183	-32,298
Changes in working capital	885	1,099	-6,897	-194	-6,631
<b>Total cash flow used for/from operations</b>	<b>-4,004</b>	3,372	-310	1,777	-4,262
<b>Cash flow used for/from investments</b>					
Change in other financial fixed assets	92,129	160,491	-54,427	-6,166	-52,242
Change in other shares and participations	-66,829	-66,829	-	-	-
<b>Total cash flow used for/from investments</b>	<b>25,300</b>	93,662	-54,427	-6,166	-52,242
<b>Cash flow used for/ from financing</b>					
Purchase of own shares	-128,260	-56,028	-4,395	-	-4,395
Proceeds from share issues	142,072	-	54,586	1,551	61,207
<b>Total cash flow used for/ from financing</b>	<b>13,812</b>	-56,028	50,191	1,551	56,812
Change in cash and cash equivalents	35,108	41,006	-4,546	-2,838	308
Cash and bank at the beginning of the period	8,861	2,686	8,962	7,223	8,962
Currency exchange difference in cash and cash equivalents	-266	11	-341	-310	-409
<b>Cash and cash equivalents at the end of the period</b>	<b>43,703</b>	43,703	4,075	4,075	8,861

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Restricted Equity		Unrestricted equity			Total equity
	Share Capital	Statutory reserve	Other Reserves	Retained Earnings	Net result	
<b>Balance at 1 January 2007</b>	<b>3,142</b>	<b>861,306</b>	<b>5,093,245</b>	<b>51,565</b>	<b>1,754,833</b>	<b>7,764,091</b>
Transfer of prior year net result	-	-	-	1,754,833	-1,754,833	-
New share issuance	12	-	54,574	-	-	54,586
Purchase of own shares	-	-	-4,395	-	-	-4,395
Transfer of share based payments	-	-	7,440	-7,440	-	-
Share based payments	-	-	-	23,945	-	23,945
Currency translation difference	-	-	-797	-	-	-797
Net result	-	-	-	-	37,598	37,598
<b>Balance at 30 September 2007</b>	<b>3,154</b>	<b>861,306</b>	<b>5,150,067</b>	<b>1,822,903</b>	<b>37,598</b>	<b>7,875,028</b>
New share issuance	1	-	6,620	-	-	6,621
Transfer of share based payments	-	-	807	-807	-	-
Share based payments	-	-	-	-807	-	-807
Currency translation difference	-	-	-187	-	-	-187
Net result	-	-	-	-	-2,931	-2,931
<b>Balance at 31 December 2007</b>	<b>3,155</b>	<b>861,306</b>	<b>5,157,307</b>	<b>1,821,289</b>	<b>34,667</b>	<b>7,877,724</b>
Transfer of prior year net result	-	-	-	34,667	-34,667	-
New share issuance	24	-	142,048	-	-	142,072
Purchase of own shares	-20	-	-128,240	-	-	-128,260
Transfer of share based payments	-	-	17,322	-17,322	-	-
Share based payments	-	-	-	13,337	-	13,337
Available-for-sale reserve	-	-	-3,489	-	-	-3,489
Currency translation difference	-	-	1,049	-	-	1,049
Net result	-	-	-	-	-3,204	-3,204
<b>Balance at 30 September 2008</b>	<b>3,159</b>	<b>861,306</b>	<b>5,185,997</b>	<b>1,851,971</b>	<b>-3,204</b>	<b>7,899,229</b>



## KEY FINANCIAL DATA

<b>Data per share</b>	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
Shareholders' equity SEK per share <sup>1</sup>	40.26	40.26	35.07	35.07	35.02
Operating cash flow SEK per share <sup>2</sup>	9.37	4.59	7.06	2.55	9.91
Cash flow from operations SEK per share <sup>3</sup>	8.64	5.44	7.06	2.55	9.97
Earnings SEK per share <sup>4</sup>	3.38	0.97	2.33	0.71	3.02
Earnings SEK per share fully diluted <sup>5</sup>	3.38	0.97	2.32	0.71	3.02
Dividend per share	-	-	-	-	-
Quoted price at the end of the financial period (regards the parent company), SEK	56.50	56.50	74.25	74.25	67.50
Number of shares at period end	317,910,580	317,910,580	315,440,580	315,440,580	315,550,580
Weighted average number of shares for the period <sup>6</sup>	316,827,768	317,910,580	314,858,088	315,417,178	315,020,401
Weighted average number of shares for the period (fully diluted) <sup>6</sup>	316,827,768	317,910,580	315,267,758	315,770,319	315,409,915

- 1 the Group's shareholders' equity divided by the number of shares at period end.
- 2 the Group's operating income less production costs and less current taxes divided by the weighted average number of shares for the period.
- 3 cash flow from operations in accordance with the consolidated statement of cash flow divided by the weighted average number of shares for the period.
- 4 the Group's net result divided by the weighted average number of shares for the period.
- 5 the Group's net result divided by the weighted average number of shares for the period after considering the dilution effect of outstanding warrants.
- 6 the number of shares at the beginning of the period with new issue of shares weighted for the proportion of the period they are in issue.

## KEY FINANCIAL DATA

<b>Key data group</b>	<b>1 Jan 2008- 30 Sep 2008 9 months</b>	1 Jul 2008- 30 Sep 2008 3 months	1 Jan 2007- 30 Sep 2007 9 months	1 Jul 2007- 30 Sep 2007 3 months	1 Jan 2007- 31 Dec 2007 12 months
Return on equity, % <sup>7</sup>	9	3	7	2	9
Return on capital employed, % <sup>8</sup>	20	11	11	3	14
Net debt/equity ratio, % <sup>9</sup>	31	31	17	17	21
Equity ratio, % <sup>10</sup>	52	52	57	57	52
Share of risk capital, % <sup>11</sup>	71	71	76	76	71
Interest coverage ratio, % <sup>12</sup>	588	248	2,425	1,220	2,203
Operating cash flow/interest ratio <sup>13</sup>	786	454	3,547	1,922	3,631
Yield <sup>14</sup>	-	-	-	-	-

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

8 the Group's income before tax plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average balance sheet total less non-interest bearing liabilities).

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

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

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

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

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

14 dividend in relation to quoted share price at the end of the financial period.

**The Company will publish the following reports:**

- The year end report (January – December 2008) will be published on 18 February 2009.
- The three month report (January – March 2009) will be published on 12 May 2009.
- The six month report (January – June 2009) will be published on 12 August 2009.
- The nine month report (January – September 2009) will be published on 11 November 2009.

Stockholm, 12 November 2008

C. Ashley Heppenstall  
President & CEO

*The financial information relating to the nine month period ended 30 September 2008 has not been subject to review by the auditors of the company.*

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