Lundin
Petroleum

Responsible Growth

Annual Report 2013

Lundin
Petroleum

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This is Lundin Petroleum

Lundin Petroleum is one of the largest independent oil companies in Europe. It has two strategic focus areas, Norway and South East Asia. Norway is of particular importance to Lundin Petroleum representing around 75 percent of its reserves and production. In addition to Norway, the Company has operations in France, the Netherlands, Russia, Malaysia and Indonesia.

Lundin Petroleum has operations throughout the entire upstream value chain; exploration, development and production. Finding oil through exploration is Lundin Petroleum's core competence and the Company has developed a strategy which has been very successful in Norway. This strategy has been adopted throughout the Company and is also producing results in South East Asia and elsewhere.


Lundin
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Our Business Model

Lundin Petroleum's business model is to generate sustainable value through exploration and production of hydrocarbons in a responsible way.

Lundin Petroleum's strategy of organic growth involves identifying core areas of focus and then establishing a team of professionals with experience in those areas to use the latest technologies to explore for oil and gas. Discoveries will be appraised, and where they are deemed to be economic, progressed through the development phase and into the production stage. The cash flow generated from production will be reinvested in exploration and development. Lundin Petroleum believes that it is through the development of this business model that it has achieved success in the past and will continue to deliver positive results in the future.

Our Vision

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

Our Strategy

Lundin Petroleum is pursuing the following strategy:

- Proactively investing in exploration to organically grow its reserve base. Lundin Petroleum has an inventory of drillable prospects with large upside potential and continues to actively pursue new exploration acreage in core areas.
- Growing its existing asset base with a proactive subsurface strategy to enhance ultimate hydrocarbon recovery.
- Acquiring new hydrocarbon reserves, resources and exploration acreage where opportunities exist to enhance value.

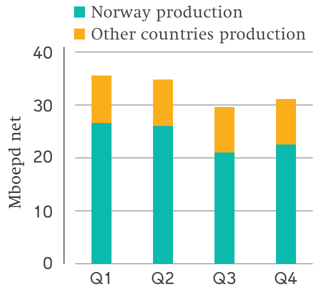
Our Responsibility

Lundin Petroleum is responsible towards:

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

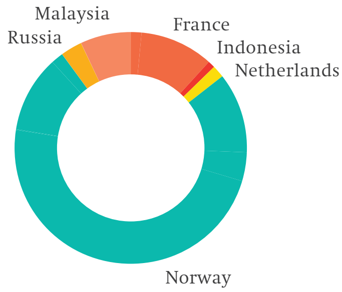
Operational Performance 2013

Production



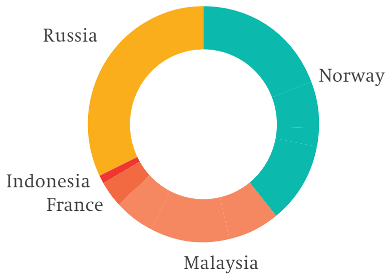
32,700 boepd

Reserves



194 MMboe

Contingent Resources



342 MMboe [1]

Q1

- Extensive appraisal drilling on the Johan Sverdrup field, Norway
- Seven licences awarded in the APA 2012 licensing round in Norway

Q2

- Luno II oil discovery, Norway
- Extensive appraisal drilling on the Johan Sverdrup field
- One licence awarded in the Barents Sea in the 22nd licensing round, Norway
- New licence awarded, offshore eastern Indonesia – Cendrawasih VII

Q3

- Gohta oil discovery in the Barents Sea, Norway
- Heads of Agreement signed with Rosneft for the sale of a 51% interest in the Lagansky Block, Russia
- Appraisal drilling on the Johan Sverdrup field

Q4

- Bertam field development plan receives approval, Malaysia
- Appraisal drilling on the Johan Sverdrup field

[1] Excludes contingent resources in respect of the Johan Sverdrup field

Financial Performance 2013

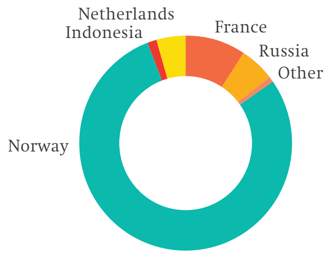
Net Result

MUSD 73

EBITDA

MUSD 961

Revenue



MUSD 1,196

Operating Cash Flow

MUSD 976

Net Debt at Year End

MUSD 1,182

Sustainability Performance 2013

Fatalities	Oil Spills	Lost Time Incidents (LTI)	LTI Rate
0	0	6	0.41

Value Creation through Organic Growth

Creative thinking

Lundin Petroleum focuses on building core exploration areas in specific countries with a clear objective to grow organically. The strategy is to improve our technical understanding and thereby to develop new play concepts. This is achieved by using the best available technology including acquiring and processing 3D seismic and by building teams of talented and experienced people who are encouraged to think creatively and to challenge conventional theories in the search for new oil deposits.

Converting discoveries into reserves and production

Lundin Petroleum focuses on organically increasing its reserves base. Following exploration and appraisal, sustainable value is created through the conversion of discoveries into reserves and production. The strategy is to continuously optimise reserves and production throughout the life cycle of the asset by utilising the latest technologies and, above all, the expertise of skilled people.

Unlocking value

Throughout all stages of the business cycle, Lundin Petroleum seeks to deliver outstanding value to our shareholders. All elements of the asset portfolio are constantly reviewed to determine that their value is fully reflected in the Lundin Petroleum share price. If it is determined that the value of an asset is not being fully reflected within the Lundin Petroleum share price, Lundin Petroleum will review all available options to determine how to realise the full value of that asset.

Kevin Donnan and Paul Atkinson, Lundin Malaysia

Forecast 2014
USD 2.1 billion Capital Expenditure Budget

Development	Appraisal	Exploration
MUSD **1,446**	MUSD **302**	MUSD **381**
Development Projects	Appraisal Projects	Exploration Projects

Development Projects

Norway
- Brynhild
- Edvard Grieg
- Bøyla

Malaysia
- Bertam

France
- Vert la Gravelle

Appraisal Projects

Norway
- Johan Sverdup
- Luno II
- Edvard Grieg SE
- Gohta

Malaysia
- Tembakau

Exploration Projects

18 exploration wells in 2014
- Norway – 6 wells
- Malaysia – 3 wells
- Indonesia – 3 wells
- Netherlands – 5 wells
- France – 1 well

Production

30,000–35,000 boepd

Chief Executive Officer's Review

"We continue to be primarily focused upon the discovery of new hydrocarbon resources through our exploration drilling activities

C. Ashley Heppenstall
President and CEO

I am very excited about the prospects for Lundin Petroleum as we embark on another year. Our primary objective remains that of building long term and sustainable value for our shareholders. In that respect we continue to be primarily focused upon the discovery of new hydrocarbon resources through our exploration drilling activities. This strategy has delivered extremely positive results over the past ten years and I remain confident that we have the licences, people and financial resources to continue to find new fields with the materiality to have a positive impact on our valuation. Our 2014 exploration work programme, with particular focus on the Barents Sea, on the Norwegian Continental Shelf and offshore Sabah, Malaysia, is most prospective in my opinion.

Financial resources sufficient to fund activities for foreseeable future

The primary source of funding for our development, appraisal and exploration programmes is operating cash flow from our existing production. Our current production activities are Brent oil dominated with low operating costs and cash taxes which therefore generate high operating cash flow. An operating cash flow net back[1] of USD 81.70 per barrel was achieved in 2013 generating operating cash flow of close to USD 1 billion. I expect this to continue in 2014 with operating cash flow in excess of USD 1 billion.

Our other source of funding is bank borrowings. We have excellent support from our 25 international banks which have recently increased our revolving credit facility to USD 4.0 billion to fund our ongoing development and exploration activities. This larger facility will improve our financial flexibility as the Johan Sverdrup development expenditures start to be incurred and allow us to continue our aggressive exploration programmes. We are now fully funded for the foreseeable future with sufficient contingency to deal with unforeseen circumstances.

Production to increase to over 75,000 boepd from ongoing projects

Our production for 2013 averaged 32,700 boepd and in general our production assets performed in accordance with our expectations with the exception of the Brynhild development where first oil has been delayed until the second quarter of 2014. Our production forecast for 2014 is between 30,000 and 35,000 boepd with the declines from our existing fields offset by the new production from Brynhild. Our 2015 production will increase to approximately 50,000 boepd with the start-up of production from the Bøyla, Bertam and Edvard Grieg fields in 2015 and will increase to over 75,000 boepd by the end of 2015.

[1] Net back: Operating cash flow divided by total production volume

Development projects on track

We have made good progress on all our development projects. I believe that the frustrating delays to our Brynhild project are behind us and that we can achieve our second quarter first oil forecast. The subsea installation work was completed last year. The modification work on the Haewene Brim FPSO has now been substantially completed and the vessel is now back on location at the Shell operated Pierce field in the UK North Sea.

Following approval of the Bertam development project offshore Malaysia in 2013, we are encouraged by the progress on Bertam. The contract for the offshore platform has been awarded to Malaysian yard TH Heavy Engineering (THHE) and construction activities are now ongoing. The Bertam project will also utilise our 100 percent owned Ikdam FPSO which was redeployed to Malaysia following the cessation of production from our Oudna field, offshore Tunisia. The modification of the FPSO to enable the vessel to be fit for purpose for Bertam is ongoing at the Keppel shipyard in Singapore. Development drilling on Bertam will commence later this year. First oil from Bertam is expected in the first half of 2015.

We are also making good progress with the Edvard Grieg project. The jacket is substantially complete and will be installed on location this spring with the pre-drilling of development wells to commence in the third quarter of 2014. The procurement for all topside equipment is complete and construction activities are advancing satisfactorily. The project remains on budget and schedule for first oil in late 2015.

Appraisal – Johan Sverdrup a unique asset

The appraisal of the Johan Sverdrup field is substantially complete. The working operator Statoil recently announced an updated full field resource estimate of between 1.8 and 2.9 billion boe and that first oil was forecast for late 2019. The final concept development decision was taken by the partners in February 2014. This is a huge project and it is important that the right investments are made today to maximise long term value. This has been done and I believe all Johan Sverdrup partners are fully aligned in this respect. It is extremely exciting to be a material partner in this project as it takes shape. The quality, location and size of Johan Sverdrup are unique for any company, not just Lundin Petroleum, and will ultimately deliver material long term value.

It is sometimes easy with the size of Johan Sverdrup to forget the rest of our appraisal portfolio. Over the last couple of years we have had exploration discoveries at Luno II and Gohta in Norway and Tembakau offshore Malaysia. We will be drilling appraisal wells on all these discoveries in 2014 with potential to almost double our existing reserves. None of our production forecasts assume any contribution from these potential developments.

Exploration – Barents Sea to grow in importance.

I have received comments recently that Lundin Petroleum is no longer an exploration focused company and that we no longer have any material exposure through our drilling programme. Very simply this is inaccurate on both counts.

We announced late last year our 2014 exploration programme which will target over 600 MMboe (unrisked) during the year. I reiterate exploration remains a key focus for us not only this year but for the foreseeable future.

In Norway we believe that there are more hydrocarbons to be found in the Utsira High. We are at the forefront of exploration activity in the region and still have the largest acreage position as this area develops infrastructure with the Edvard Grieg and Johan Sverdrup developments proceeding. We are also very excited with progress in the Barents Sea which we see emerging as an oil producing province in the next few years. There have been a number of important discoveries in the Barents Sea in recent months including our Gohta success and we see a marked increase in activity in the region from the industry. Our acreage position is already significant and I was pleased that we were recently awarded an additional four licences in the latest APA 2013 licensing round. Our objective is to be at the forefront of exploration activity in the Barents Sea in the next five years where we think there is the potential to discover large new oil resources.

Similarly in South East Asia, 2014 will be a busy year. Our strategy to acquire new 3D seismic in areas overlooked by the majors in recent years has already yielded positive results with Bertam moving into development and Tembakau likely to be developed. We will be drilling in Sabah this year where we believe there is potential to make large oil discoveries close to existing infrastructure. We are also enhancing our portfolio in frontier areas such as the Cendrawasih VII licence in eastern Indonesia which contains some very exciting structures which we hope to drill in 2015.

Responsible growth

In summary, Lundin Petroleum is in an excellent position. We are fully funded with exposure to major projects such as Johan Sverdrup in low political risk areas and which will produce Brent oil for many years to come. We commit to having in place the necessary measures to ensure that, wherever we operate, our activities have a beneficial socio-economic effect and a limited impact on the environment. The long term investments we are making today will in my opinion deliver long term value growth to our shareholders. I thank you for your confidence and continued support.

Yours Sincerely,

C. Ashley Heppenstall
President and CEO

“

Lundin Petroleum’s strategy of finding new resources is the best way to create sustainable value, not only for our shareholders but also for the benefit of society

Ian H. Lundin
Chairman of the Board

Chairman’s Statement

A very important milestone for Lundin Petroleum was achieved on February 13, 2014 when the final concept selection for Phase 1 of the giant Johan Sverdrup field’s development was announced by the licence holders. The announcement was the result of the close and successful cooperation between all stakeholders as well as more than three years of appraisal drilling, geological and geophysical evaluation, engineering and environmental impact studies in order to come up with the right development concept for the field.

The largest development project

Johan Sverdrup will be the largest development project on the Norwegian Continental Shelf (NCS) since the 1980s. The first phase of the development is scheduled to start production in late 2019 and is forecast to have gross production capacity of between 315,000 and 380,000 barrels of oil equivalents per day (boepd). When the field reaches its plateau production of 550,000 to 650,000 boepd it will account for over 25 percent of Norway’s total oil production. The gross capital investment for Phase 1 is between NOK 100 and 120 billion (USD 16 and 20 billion).

For Norway, Johan Sverdrup will generate over USD 150 billion in tax revenue during the life of the field and thousands of jobs for decades to come. With the discovery of Johan Sverdrup in 2010, Lundin Norway established itself as one of the leading players on the NCS.

Continued growth

Today, Lundin Norway is the second most active operator in Norway with 62 licences stretching from the southern NCS to the Barents Sea. The Company is operating two development projects: Brynhild which will start production in the second quarter of 2014 and Edward Grieg which will come on stream in late 2015. In addition, the Company has secured rig capacity to fulfil all of its drilling obligations and more. The ongoing exploration drilling programme continues to deliver results with two more oil discoveries in 2013, one on the Utsira High known as Luno II and one in the Barents Sea known as Gohta. The Gohta discovery proved the existence of additional source rock in the Barents Sea and we strongly believe in the potential of finding more oil in the area. As Lundin Norway is maturing into a fully integrated exploration and production company, we look toward the future with confidence as we continue to grow.

Ian H. Lundin (centre) with Torstein Sanness (right) and Hans Christen Rønnevik (left)

Lundin Petroleum's operations in South East Asia and Europe are all progressing well. The Company's first development project in Malaysia, the Bertam field, is expected to come on stream in 2015. There are multiple potential prospects to be drilled in the South East Asia drilling programme in 2014.

Creating sustainable value

Our exploration success in the past few years is the best proof of that Lundin Petroleum's strategy of finding new resources is the best way to create sustainable value, not only for our shareholders but also for the benefit of society. I believe that it is important not to lose sight of our core values and humble beginnings as we move forward. I also hope that the entrepreneurial spirit of our founder which the Company's management has embraced so well will continue to drive our Company.

The oil and gas industry is facing a huge challenge in meeting global energy demand for hydrocarbons in an affordable, efficient and environmentally friendly way.

Our ambitions as well as society's expectations with regards to health, safety and the environment are growing continuously which of course comes at a cost. Technological innovation will play a big role in meeting these expectations but it will also mean that it will be more difficult to make investments in certain sensitive areas from an economic and regulatory standpoint. Oil and gas continue to be the fuel of choice for power, transportation as well as feedstock for chemicals and most synthetic products, but renewable energy is rapidly becoming more accessible and competitive. As environmental awareness is spreading alongside improved living standards, health and education, the world is indeed becoming a better place for future generations.

I would like to extend a special thank you to all the women and men at Lundin Petroleum who work diligently and with care for our environment, to ensure a healthy and auspicious future for the Company and for society at large. Finally, many thanks to you fellow shareholders for your continued support.

Ian H. Lundin
Chairman of the Board

Responsible Growth

> Lundin Petroleum commits to having in place the necessary measures to ensure that, wherever we operate, our activities have a beneficial socio-economic effect and a limited impact on the environment

C. Ashley Heppenstall
President and CEO

Frøydis Eldevik, Lundin Norway, during a visit to the Kvaerner yard, Verdal in Norway

A Sustainable Approach

As a responsible company, Lundin Petroleum not only adheres to applicable legislation, but also strives to conduct its business in accordance with best industry practice and principles for corporate citizenship embodied in recognised international initiatives. The Company has integrated corporate responsibility commitments and strategies into its business through the adoption of relevant policies, guidelines and procedures and strives for continuous improvement.

Due to the nature of oil and gas operations, Lundin Petroleum has focused on putting in place and developing a robust health, safety and environmental (HSE) framework. Policies on health, safety and the environment set out the Company's commitment in this area, and the Green Book, the Company's HSE management system, ensures these policies translate into good practice. Lundin Petroleum's employees worldwide are trained in the application of the Company's Code of Conduct, corporate responsibility policies and the Green Book to ensure understanding and compliance.

As part of its proactive approach to provide a safe working environment, experiences and lessons learnt are reported and shared continuously throughout the Company. Lundin Petroleum has also strengthened and developed its risk management system, integrating this approach within the areas of operation. Since Lundin Petroleum was created in 2001, there have not been any work-related fatalities.

The aim of Lundin Petroleum's HSE policies is

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

Sustainable Investments

In order to increase the scale and impact of Lundin Petroleum's sustainable investment projects, the Company entered into a partnership with the Lundin Foundation in 2013. The Lundin Foundation is a philanthropic organisation founded originally by the Lundin family. The Foundation is currently supported by a number of publicly traded natural resource companies committed to the highest standards of corporate social responsibility. The Foundation provides risk capital, technical assistance, and strategic grants to outstanding social enterprises and organisations across the globe, with a view to contributing to sustained improvements in social and economic development.

Lundin Petroleum's Contribution

Supplying the World with a Basic Resource

Oil remains the primary source of world energy consumption and is estimated to remain so for decades to come. The world's annual oil consumption currently amounts to roughly 33 billion barrels. This means that to ensure the current level of oil supply, the world needs to replace 33 billion barrels of oil every year. To put this in context, the giant Johan Sverdrup field has an estimated resource range of between 1.8 and 2.9 billion boe. Only by increasing the production from existing discoveries, by using new methods and technology to develop oil deposits, or by making new oil discoveries, can the current level of oil supply be maintained.

Making new discoveries is Lundin Petroleum's core competence. The oil discoveries that the Company has made in Norway will prolong the country's oil production by many decades.

Social Development

An oil discovery is a great economic resource, creating wealth and jobs, benefiting not only Lundin Petroleum's employees, their families, and shareholders but also the local communities and society as a whole.

Investments

Lundin Petroleum's business generates income when oil is produced. The exploration and development phases on the other hand require large investments, in particular drilling and construction of facilities and infrastructure. The investment budget for Lundin Petroleum in 2014 has been set at USD 2.1 billion.

Taxes and Licences

One of Lundin Petroleum's main financial contributions to society comes through taxes, paid in the form of corporate and production tax on the sales proceeds from oil and gas production. For example, the giant Johan Sverdrup discovery made by Lundin Petroleum is expected to generate more than USD 150 billion in tax revenues during the life of the field.

More information can be found on pages 36–45 regarding Lundin Pertoleum's Corporate Responsibilty.

Reserves, Resources and Production

Lundin Petroleum is active in all stages of the life cycle of an upstream oil company.

Subsurface evaluation of Lundin Petroleum's acreage position identifies exploration prospects which are classified as prospective resources. Hydrocarbons discovered through exploration drilling are classified as contingent resources and are appraised to determine commerciality and future development potential. When a discovery is deemed commercial and there is a certainty as to development, the hydrocarbons are classified as reserves.

Reserves

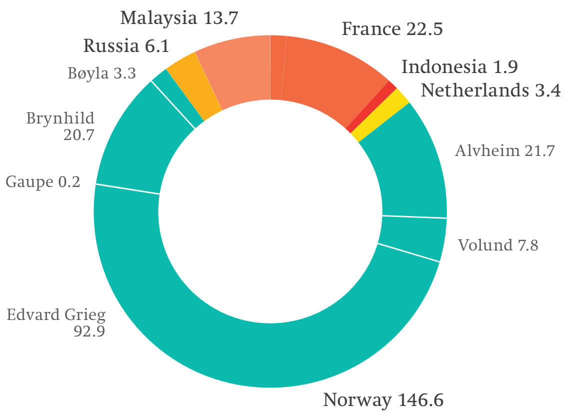
Unless otherwise stated, all reserves estimates in this Annual Report are the aggregate of "Proved Reserves" and "Probable Reserves", together also known as "2P Reserves".

Contingent Resources

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

Reserves
end 2013
194 MMboe

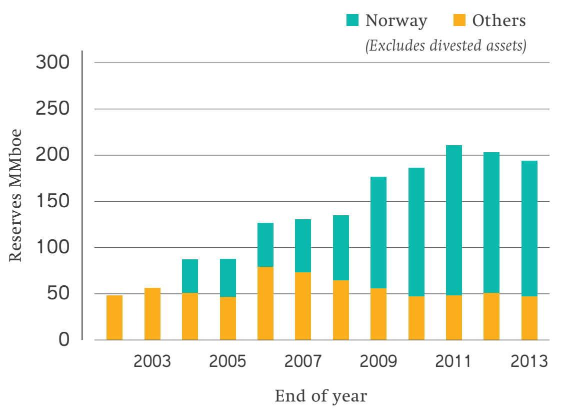
END 2013 RESERVES (MMboe)



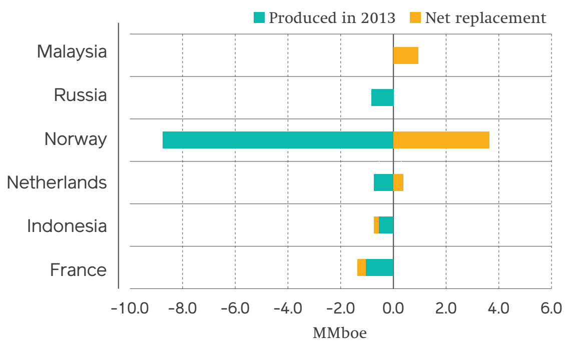
RESERVES SUMMARY	MMboe
End 2012	201.5
– Produced (excluding sales/acquisitions)	-11.9
+ New Reserves (excluding sales/acquisitions)	4.5
End 2013	**194.1**

Oil price (Brent) USD 100/bbl + 2% escalation on oil price and costs

RESERVES HISTORY



END 2013 RESERVES CHANGES



Lundin Petroleum had 194.1 million barrels oil equivalent (MMboe) of reserves at the end of 2013. From 2002 to 2011 Lundin Petroleum increased its reserves base four fold (see Reserves History graph). During 2012 and 2013 production exceeded reserves additions, resulting in a small reduction in reserves. However, in 2014 appraisal wells will be drilled on the Gohta, Luno II and Tembakau discoveries with the potential to add between 90 to 180 MMboe to the reserves base. In addition, Johan Sverdrup resources will be booked as reserves once a Plan of Development and Operations (PDO) and a Unit Operating Agreement are approved.

In 2013, 4.5 MMboe of new reserve additions were identified, resulting in a two percent increase in reserves when compared to 2012, excluding 2013 production of 11.9 MMboe.

The Reserves Changes graph shows reserves additions related to the continued good performance of the Volund field in Norway, as well as the inclusion of a further two infill wells in the Alvheim field in Norway. The Bertam development in Malaysia received Field Development Plan (FDP) approval in September 2013. As a result of optimising fuel oil consumption, reserves in the Bertam field increased. These increases in reserves resulted in a reserves replacement ratio of 38 percent at end of 2013 when compared to a total production of 11.9 MMboe in 2013.

92 percent of the 194.1 MMboe of reserves is related to oil and NGL (natural gas liquids) reserves. Lundin Petroleum quotes all of its reserves in working interest barrels of oil equivalent. All reserves are independently audited by ERC-Equipoise Ltd. (ERCE).

Contingent Resources
end 2013 excluding Johan Sverdrup
342 MMboe

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

Excluding the Johan Sverdrup field in Norway, Lundin Petroleum has contingent resources of 342 MMboe. In 2013, two new fields were discovered in Norway. The Gohta and Luno II discoveries resulted in additional contingent resources of 66 MMboe and 22 MMboe respectively. Both fields will be appraised in 2014. This increase was partly offset by the relinquishment of the Peik licence in Norway, resulting in a decrease of 8 MMboe of contingent resources.

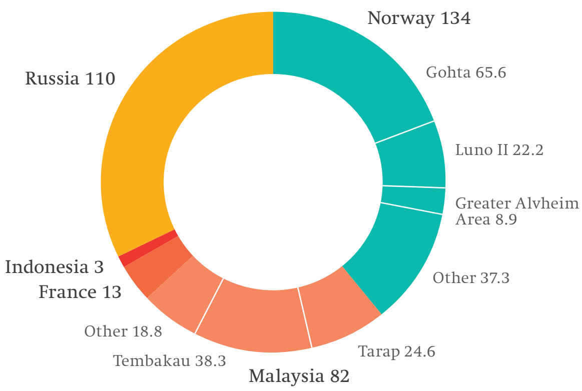
All reported contingent resources have been audited internally by a qualified reserves auditor in accordance with the Canadian NI 51–101 and the COGE Handbook with the exception of the Salina discovery (7 MMboe) where the Norwegian Petroleum Directorate (NPD) estimate has been used.

Johan Sverdrup contingent resources have been excluded from Lundin Petroleum's estimates at the end of 2013 pending the completion of the PDO and the Unit Operating Agreement. At the end of 2011 and 2012, contingent resource estimates for Johan Sverdrup were included. The field, which was discovered in 2010, contains gross contingent resources of between 1.8 and 2.9 billion boe as disclosed at the end of 2013 by pre-unit working operator Statoil. The Johan Sverdrup field is situated in licences PL501, PL502 and PL265. Lundin Petroleum has a 40 percent interest in PL501 and a 10 percent interest in PL265.

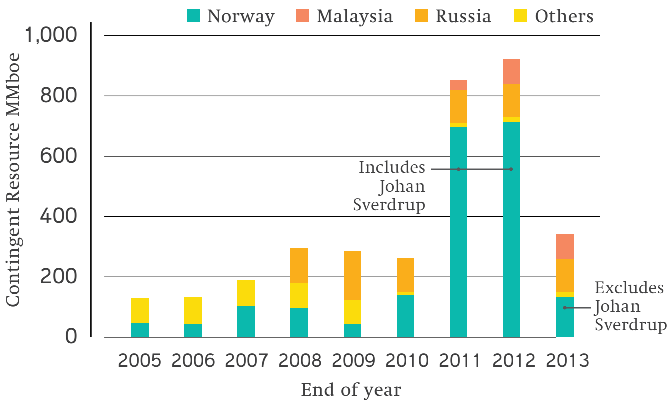
By the end of 2013, 20 wells and six sidetracks have been drilled on the Johan Sverdrup field. The field appraisal programme is now substantially complete. Two more appraisal wells will be drilled in 2014. A Phase 1 conceptual development decision was made in February 2014. Front End Engineering and Design (FEED) studies have been awarded and PDO approval is expected in 2015.

Lundin Petroleum has a substantial contingent resource portfolio which provides a strong resource base for future reserves and production growth.

CONTINGENT RESOURCES (MMboe)



CONTINGENT RESOURCE HISTORY

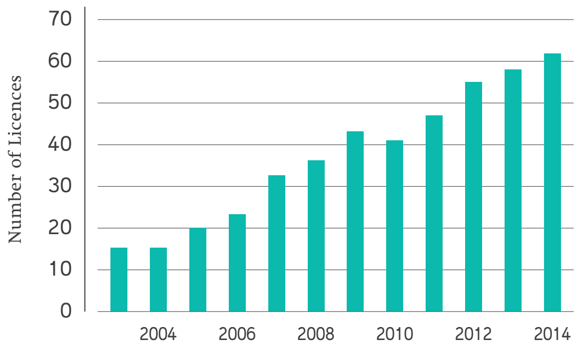


Prospective Resources

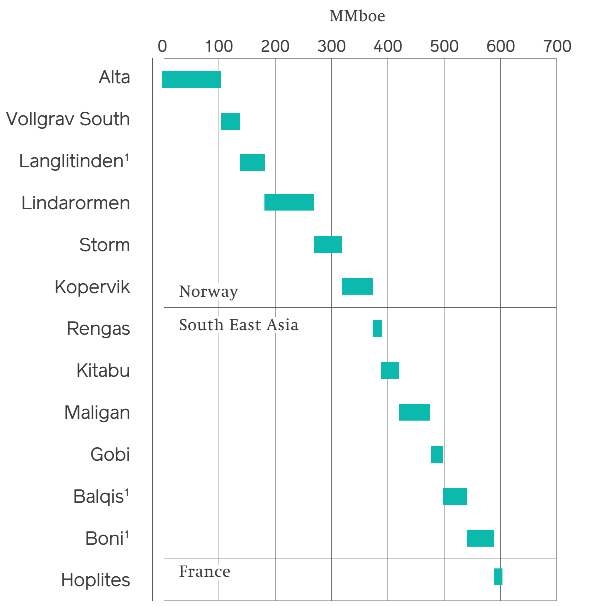
targeted 2014

600 MMboe

NORWAY – NUMBER OF LICENCES HELD



2014 NET UNRISKED TARGETED PROSPECTIVE RESOURCES



The table shows all planned exploration drilling activities from 1 January to 31 December 2014 excluding exploration drilling in the Netherlands.

[1] These wells have been drilled in the first quarter of 2014 and did not encounter any hydrocarbons.

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

In Norway, Lundin Petroleum is the second largest operated acreage holder after Statoil and has been the most successful explorer in the last 10 years. By the end of 2013 Lundin Petroleum has drilled 35 exploration wells resulting in 14 commercial discoveries at a cumulative finding cost of USD 0.5 per boe. Lundin Petroleum was awarded another nine new licences in the APA 2013 licensing round, increasing its total licence acreage to approximately 23,000 km^2. In 2014, Lundin Petroleum is planning to drill six exploration wells in Norway, targeting over 370 MMboe of prospective resources. There will be continued exploration activity beyond 2014 in the Utsira High (Johan Sverdrup area) and the Barents Sea. Lundin Petroleum believes that the Barents Sea will become a major oil producing province.

Since South East Asia was established as a core area in 2008, Lundin Petroleum now has a total of 12 Production Sharing Contracts (PSC) in Malaysia and Indonesia. In Malaysia, Lundin Petroleum is the second largest acreage holder after Petronas with a total licence acreage of 34,000 km^2. Six exploration wells are planned to be drilled in 2014, three in Malaysia and three in Indonesia, targeting 216 MMboe of prospective resources.

In 2013, Lundin Petroleum was awarded the Cendrawasih VII Block in east Indonesia. This frontier exploration Block has a proven petroleum system and is situated in a shallow water environment. Based on existing 2D and 3D seismic, several structures have been identified with multi-billion barrel oil and/or multi-trillion cubic feet of gas potential.

Furthermore, one exploration well is planned to be drilled in France and five exploration wells are planned in the Netherlands.

Lundin Petroleum only discloses prospective resource estimates for those prospects that will be drilled in the following year. However, many more prospects and leads have been identified from the large exploration licence portfolio and are being matured to be drilled in future years. In Norway, rig capacity is already secured into 2017 to drill further exploration wells. In South East Asia, large areas of new 3D seismic have been acquired in the Company's core areas to help mature additional prospectivity and will result in further exploration drilling.

Production

Performance 2013
32,700 boepd

Forecast 2014
30,000–35,000 boepd

Once the Edvard Grieg field reaches plateau production, Lundin Petroleum's net production is forecast to exceed 75,000 boepd.

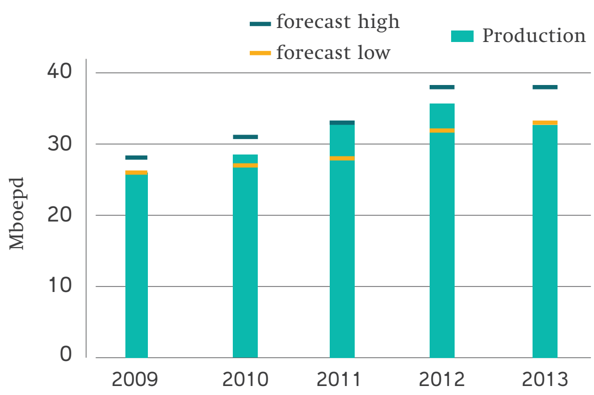
Lundin Petroleum produced 11.9 MMboe during 2013 at an average rate of 32,700 boepd. In early 2013, production for the full year was forecast to be between 33,000 and 38,000 boepd. Continued strong production in the Volund field was partly offset by lower than expected production from the Alvheim field in Norway as a result of integrity issues in three production wells. However, production was mainly impacted in the fourth quarter 2013 by delays in the startup of the Brynhild field in Norway. Furthermore, onset of water production in the Volund field resulted in lower than expected production for the fourth quarter.

Lundin Petroleum's production forecast for 2014 is in the range of 30,000 to 35,000 boepd, at similar levels to 2013. Good production is expected from the Alvheim field with two wells expected to come back on stream in April 2014 following work-over. Further drilling on the Alvheim field is expected in 2014 and 2015, which will only contribute to production in 2015 and beyond. The Brynhild field is expected to come on stream in the second quarter 2014. In total four wells will be drilled on the Brynhild field.

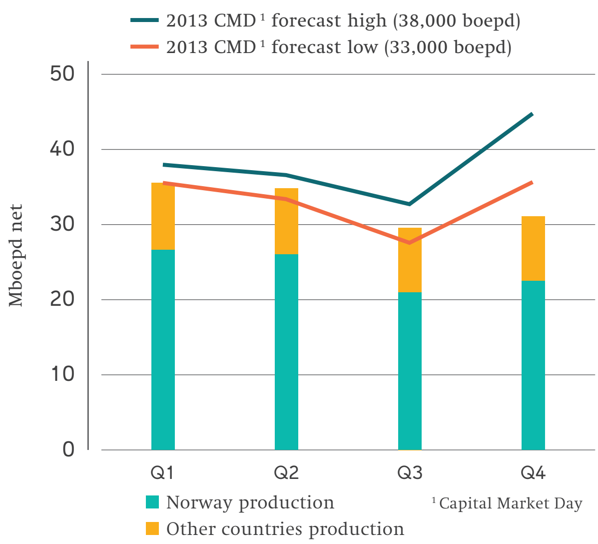
Development of the Bøyla and Edvard Grieg fields are progressing according to schedule. Production start for the Bøyla field is expected in the first quarter 2015 and for the Edvard Grieg field, in the fourth quarter 2015. The Bertam field development plan was approved by Petronas in September 2013. Wellhead platform construction and FPSO repair and life extension work are ongoing and production start is expected in the second quarter 2015. These development projects will increase production to a 2015 average of approximately 50,000 boepd. Once the Edvard Grieg field reaches plateau production Lundin Petroleum's net production is forecast to exceed 75,000 boepd.

The giant oil field Johan Sverdrup, with production start planned in late 2019, has the potential to quadruple the current net production when it reaches plateau production. This excludes any contribution from the rest of the contingent resource base, or any contribution from the exploration wells Lundin Petroleum is planning to drill.

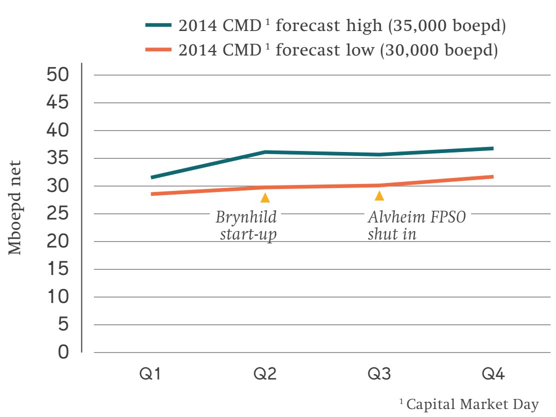
PRODUCTION vs GUIDANCE



2013 PRODUCTION PERFORMANCE



2014 PRODUCTION GUIDANCE



We are
Lundin Petroleum

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It is my job to advise on the Company's subsurface projects including reserves and resources management

Ryan Adair
Group Subsurface Manager

Reserves Defined

Reserves	2P Reserves	
	Proved Reserves	Probable Reserves
Lundin Petroleum calculates reserves and resources according to 2007 Petroleum Resources Management System (PRMS) Guidelines of the Society of Petroleum Engineers (SPE), World Petroleum Congress (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE) and in compliance with the Canadian Oil and Gas Evaluation Handbook (COGE Handbook) and the Canadian National Instrument 51 – 101 Standards of Disclosure for Oil and Gas Activities. Lundin Petroleum's reserves are audited by ERC-Equipoise Ltd. (ERCE), an independent reserves auditor. Reserves are defined as those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward. Estimation of reserves is inherently uncertain and to express an uncertainty range, reserves are subdivided in Proved, Probable and Possible categories. Lundin Petroleum reports its reserves as Proved plus Probable (2P) reserves.	Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimates.	Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of estimated Proved plus Probable reserves.

Resources Defined

Contingent Resources	Prospective Resources
Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, technical, political and regulatory matters or a lack of markets. There is no certainty that it will be commercially viable for the Company to produce any portion of the contingent resources.	Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and chance of development. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources.

Oil Market Overview

Oil Market – Words from the CEO

As we have forecast, Brent oil prices have remained comfortably above USD 100 per barrel and I personally expect this to continue. The shale oil revolution in the United States continues to deliver increased oil supplies but geopolitical uncertainty in the Middle East and North Africa continues to have a negative impact on supply. The Chinese economy has slowed but growth levels still remain high with continued strong commodity demand including oil. This Chinese demand coupled with, in my view, better demand than forecast from the developed world will ensure that oil prices remain firm.

Prices will also be supported by the high levels of cost prevalent in our industry which over recent years have squeezed profitability margins. The level of cost inflation we have experienced over the last 10 years is not sustainable and will have an impact on future production as certain projects are deemed uneconomic.

C. Ashley Heppenstall
President and CEO

Population and Economic Growth

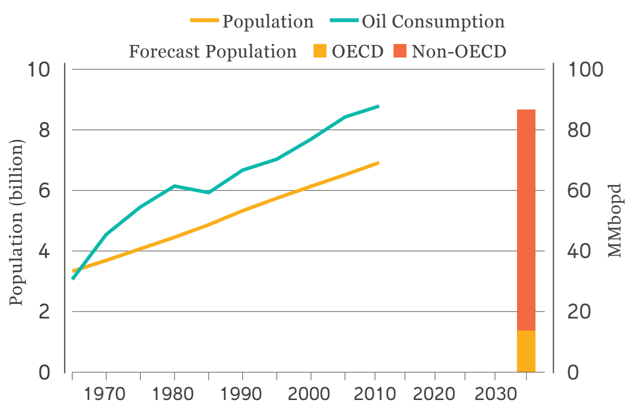
Both population and economic growth play a critical role in influencing the demand for oil and oil products, particularly in developing countries where energy consumption levels are much lower relative to those observed in the developed world.

In 1960, the world's population stood at three billion people and by the turn of the century that had doubled to six billion. Likewise long term trend economic growth has continued unabated averaging around two percent per annum in developed countries and six percent per annum in developing countries over the past decade. Looking ahead, by 2035 the population of the world is expected to grow to more than eight billion people accompanied by long term trend GDP growth rates of between two and three percent per annum.

Given that future growth is being driven by developing countries undergoing the process of industrialisation, the energy intensity of those countries is likely to increase with an expected narrowing of the gap in oil consumption per capita compared with developed countries. Developed countries consume more than five times the amount of those living in the developing world.

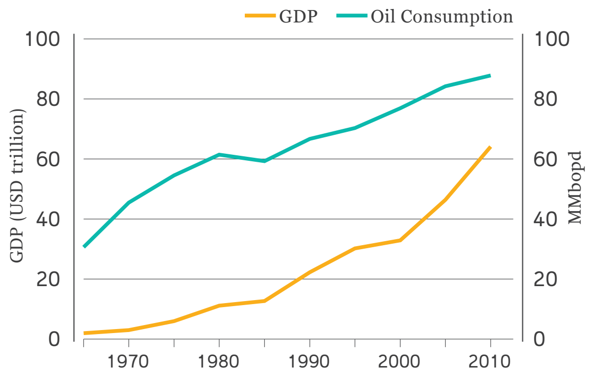
It presents a major challenge to the energy industry to deliver the supply required to meet this growing demand for oil, particularly when comparing the track record of the industry in replacing the oil it produces.

POPULATION vs OIL CONSUMPTION



Source: BP Statistical Review 2013
UN World Population Prospects 2013

HISTORIC GDP vs OIL CONSUMPTION



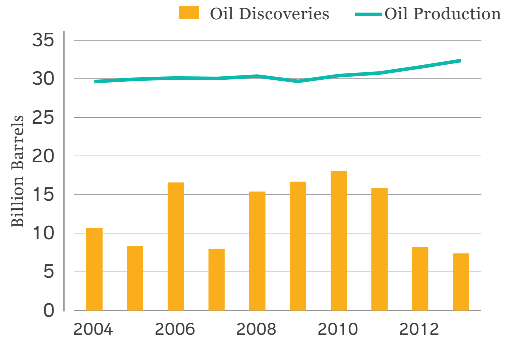
Source: BP Statistical Review 2013
UN World Poupulation Prospects 2013

Oil Consumption and Discoveries

Over the last decade the world's new oil discoveries amount to approximately one third of the oil consumed. In the long run this will become challenging to sustain and can only be managed through a combination of developing new methods to use the energy consumed more efficiently and by increasing efforts to explore for and find new resource deposits or by reducing the demand for oil.

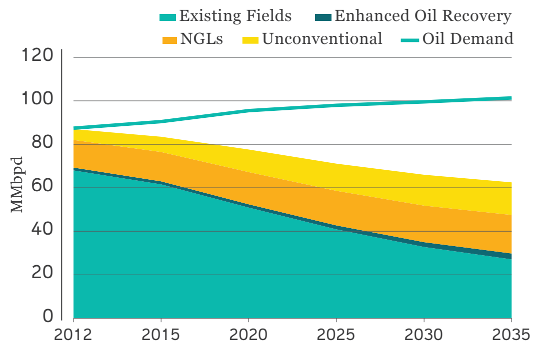
Lundin Petroleum remains confident that this combination of macro-economic and supply side challenges will continue to provide long term support for oil prices. In terms of rising to meet the supply side challenge the industry faces, Lundin Petroleum continues to demonstrate an ability to do so by growing its reserves and resource base, which is expected to lead to a more than doubling of current production levels by the end of 2015 and quadrupling by the time that Johan Sverdrup reaches plateau production. Doing so within a climate of strong commodity prices will naturally lead to long term value creation for shareholders.

OIL CONSUMPTION vs DISCOVERIES



Source: BP Statistical Review 2013
WoodMac Global Exploration Review of 2012

OIL SUPPLY



Source: IEA World Energy Outlook 2013

Finding oil and gas resources is our core competence

Lundin Petroleum has exploration and production assets focused upon two core areas, Norway and South East Asia, as well as assets in France, the Netherlands and Russia. Lundin Petroleum maintains an exploration focus seeking to generate sustainable value through exploration success and also has the resources to take exploration successes through to the production phase.

NORWAY
62
Licences

MALAYSIA
6
Licences

INDONESIA
6
Licences

FRANCE
19
Licences

NETHERLANDS
21
Licences

RUSSIA
3
Licences

Exploring for Resources

Oil and gas exploration is Lundin Petroleum's core competence. By constantly questioning and reevaluating established ways of analysing geological data, Lundin Petroleum has proven its ability to find new resources.

Lundin Petroleum places great trust in and responsibility upon its employees. The Company's success is attributable to its talented teams of professionals with experience and considerable technological and geological expertise. Lundin Petroleum uses conventional methods and available data, but its integrated teams of geologists, geophysicists and technical experts have produced a creative way of analysing this information and thereby adapting a visionary approach to oil and gas exploration. Lundin Petroleum's exploration strategy is to apply each individual's professional and personal strengths into the organisation, and to actively encourage innovative thinking. Each exploration team is assembled to ensure multi-discipline exploration expertise. The working environment is based on joint efforts and is not measured individually, but rather at the company level.

Lundin Petroleum drilled 16 exploration and appraisal wells in 2013 and has plans to drill over 20 in 2014.

Developing Resources

Based on the results from its exploration and appraisal drilling, Lundin Petroleum creates a 3D simulation model of the reservoir as accurately as possible. Thereafter the Company establishes a conceptual development plan.

The plan sets out how to best manage the reservoir for production. It includes a programme for how to extract hydrocarbons as efficiently as possible from the reservoir, a plan for the engineering and design of all surface and subsurface facilities as well as infrastructure to deliver the resources. The development plan also details all safety procedures and ensures that the environmental impact will be minimal.

Lundin Petroleum uses the best available technologies throughout this process in order to minimise all risks. Once a conceptual development plan has been approved by partners and it is demonstrated that resources can be recovered commercially, the resources in the field may be reclassified as reserves. Contracts can then be awarded for drilling, construction and installation of all facilities. During the construction phase Lundin Petroleum works closely with its partners and contractors with the common objective to deliver the components on schedule and within budget.

The installation phase involves transporting the facilities that have been constructed to a chosen location and assembling them on site. Thereafter, wells and infrastructure are connected to the facilities and production can begin.

Lundin Petroleum is currently constructing oil and gas production facilities in Norway, Malaysia and France.

Producing Reserves

After exploration, appraisal and development, Lundin Petroleum enters into the production phase. The production phase is defined as everything from extraction and processing to delivering the oil or gas for sale.

Lundin Petroleum uses the income from its production assets to finance its core activity, the exploration of new oil and gas resources. However, as the Edvard Grieg and Johan Sverdrup discoveries are developed and put into production, the focus on production operations will become more prominent. Production in Norway is increasing and has the potential to quadruple current net production when Johan Sverdrup reaches plateau production.

Whereas Lundin Petroleum's exploration model is based on creativity and innovative analysis of geological information, its production operations rely upon proven methods in the industry with the use of best available technology and best practice. Lundin Petroleum aims to efficiently produce from each field and maximise the total quantity of oil or gas produced from the field. This requires thorough analysis during the development and production phase and can involve enhanced recovery methods, for example injecting water to sweep the oil towards selected production points.

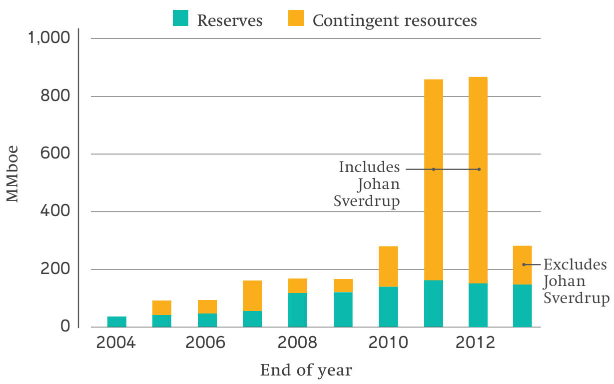
The Company places great emphasis on safety. Operations are carried out with human, technical and organisational barriers in place, so that a breach of a single barrier cannot alone lead to any harm to people, the environment or the Company's assets.

Norway

Norway is Lundin Petroleum's principal area of operation. Lundin Petroleum's strategy of organic growth has led to a portfolio of Norwegian licences comprising the full spectrum of exploration, appraisal, development and production assets.

Norway Key Data	2013	2012
Reserves (MMboe)	**147**	152
Contingent resources (MMboe)[1]	**134**	715
Average net production per day (Mboepd)	**24**	27
Net turnover (MUSD)	**946**	1,089
Sales price achieved (USD/boe)	**106**	107
Cost of operations (USD/boe)	**7**	5
Operating cash flow contribution (USD/boe)	**99**	71

NORWAY RESOURCES



[1] Excludes contingent resources in respect of the Johan Sverdrup field

Norway Operations
Lundin Petroleum entered Norway in 2003 and since then has built a leading acreage position including 62 licences focused in a number of core areas with activities within licences comprising exploration, appraisal, development and production. The exploration success in Norway has led to the Brynhild and Edvard Grieg developments and the 2013 exploration programme resulted in additional discoveries in Luno II and Gohta. Both of these discoveries will be appraised during 2014. The Norwegian portfolio is dominated by the giant Johan Sverdrup field, discovered by Lundin Petroleum in 2010. The Johan Sverdrup field extends over three licences, PL501 (WI 40%), PL265 (WI 10%) and PL502 and the field is therefore subject to a unitisation process which will determine the resource allocation to the licence partners. Following the drilling of 20 appraisal wells on the Johan Sverdrup field, Statoil, the working operator, announced a full field gross contingent resource range of 1.8 to 2.9 billion barrels of oil equivalent (boe) representing one of the top five discoveries made on the Norwegian Continental Shelf.

Six exploration wells and five appraisal wells are planned to be drilled in Norway in 2014.

Norway continues to represent the majority of Lundin Petroleum's operational activities with production from Norway during 2013 accounting for 73 percent of total 2013 production and reserves at the end of 2013 accounting for 76 percent of total reserves. Lundin Petroleum's contingent resources are also concentrated in Norway with 39 percent[1] of total contingent resources at the end of 2013 and thus underpinning Norway as the major production contributor for Lundin Petroleum in the years to come. Over the next three years, the majority of Lundin Petroleum's development expenditure is anticipated to be channelled into Norwegian development projects.

Production
The production from the Norwegian assets delivered an annual average production rate of 23,900 boepd during 2013. Anticipated natural decline from the Alvheim and Volund reservoirs resulted in the reduction in production from 2012 to 2013. The production was also impacted by three Alvheim wells being shut-in for a significant part of 2013 as well as the Alvheim FPSO being shut-in for maintenance for nine days in 2013.

Alvheim
The net production from the Alvheim field (WI 15%) during 2013 was 10,500 boepd, a decrease of 11 percent relative to 2012. Overall the Alvheim field has outperformed expectations. However, during 2013 the field has produced below expectations due to three producing wells being shut-in for a large part of the year due to well integrity issues. One well was put back into production in late 2013 with the remaining two wells expected to be back on stream during April 2014. The 2013 production underperformance will have no impact on the ultimate recoverable reserves from the field. By the end of 2013 the water-cut on the field had reached around 50 percent. The field's gross ultimate recoverable reserves have increased from 184 MMboe, at the time of the development

Edvard Grieg project operations control centre in Norway

plan approval, to 307 MMboe driven by better than expected reservoir performance coupled with two new infill wells drilled in 2011 and two further wells drilled in 2012. An additional three infill wells are scheduled to be drilled in 2014 and 2015 with the first of these expected to come onstream in early 2015. The gross contingent resources associated with the Alvheim field amounted to 41 MMboe at the end of 2013 and represent possible infill targets for future production wells. In January 2013, the Alvheim partnership was awarded additional acreage to the north of the Alvheim field through the APA 2012 licensing round, adding growth potential to the asset through securing near-field acreage to unlock additional drilling targets. The cost of operations for the Alvheim field for 2013 was USD 5 per barrel excluding one-off project related costs.

Volund

The Volund field (WI 35%) achieved average net production of 12,200 boepd during 2013. The production during 2013 exceeded expectations due to a combination of better than expected reservoir performance and Alvheim FPSO uptime. An additional Volund well commenced production in early 2013. Since commencing production in 2010 the reservoir performance from the Volund field has exceeded expectations and as a result the gross reserves has increased from 50 MMboe at the time of submitting the plan of development for the field to 66 MMboe at the end of 2013. During 2014 certain long-lead items will be ordered to progress plans for two new potential infill wells on the Volund field which may be drilled during 2015. The cost of operations for the Volund field during 2013 was below USD 2.5 per barrel.

Gaupe

First production from the Gaupe field (WI 40%) was achieved in the first quarter of 2012. Production from the Gaupe field has been below forecast since the commencement of production. Technical analysis indicates that the two production wells are connected to lower hydrocarbon volumes than was forecast prior to production start-up due to compartmentalisation of the producing reservoir. Consequently the net reserves have been reduced to 0.2 MMboe and production is expected to cease in 2014.

Development

Edvard Grieg

Working interest	50%
Reserves MMboe, gross	186
Forecast gross peak production boepd	100,000

The Edvard Grieg field (WI 50%) was discovered by Lundin Petroleum in 2007 and the Norwegian Parliament approved the Edvard Grieg plan of development in June 2012.

The Edvard Grieg field is estimated to contain 186 MMboe of gross reserves with first production expected in late 2015 and forecast gross peak production of approximately 100,000 boepd. The gross capital cost of the Edvard Grieg field development is estimated at NOK 25 billion (USD 4 billion) which includes the building of a production and processing platform, oil and gas pipelines and the drilling of 15 wells. Contracts have been awarded to Kværner covering engineering, procurement and construction of the jacket and the topsides for the platform. Rowan Companies has been awarded a contract for a jack up rig to drill the development wells and Saipem has been awarded the contract for marine installation. The development is progressing according to schedule and the construction work on the jacket which commenced in 2012 is ongoing and is scheduled to be completed and installed during the spring of 2014. During 2013 a plan for installation and operation (PIO) for the oil and gas export pipelines were submitted. The gas pipeline is scheduled to be installed during 2014 and the oil pipeline installation is scheduled in 2015. An appraisal well is currently being drilled in the southeastern part of the Edvard Grieg field in early 2014 to target additional resources and ensure optimum development well placement.

The Edvard Grieg development plan incorporates the provision for the coordinated development with the nearby Ivar Aasen field located in PL001B and operated by Det norske oljeselskap.

Brynhild

Working interest	90%
Reserves MMboe, gross	23.1
Forecast gross peak production boepd	12,000

A plan of development for the Brynhild field in PL148 (WI 90%) was approved by the Norwegian Ministry of Petroleum and Energy in November 2011. The Brynhild field, developed as a subsea tie-back to the Pierce field in the United Kingdom, contains estimated gross reserves of 23.1 MMboe and is expected to produce at an estimated gross plateau production rate of 12,000 boepd. All subsea installation work was completed during 2013 and the first of four development wells reached final target depth finding both the top of the reservoir and quality as expected. The Haewene Brim FPSO modification and life extension work was substantially completed and the FPSO returned to its offshore location at the Shell operated Pierce field in late 2013. The drilling of the remaining three development wells as well as the installation of a new production riser will be carried out during 2014. The field is scheduled to come onstream in the second quarter of 2014. The gross capital cost for the Brynhild development is estimated at NOK 6.7 billion (USD 1.1 billion).

Bøyla

Working interest	15%
Reserves MMboe, gross	22
Forecast gross peak production boepd	20,000

A plan of development for the Bøyla field in PL340 (WI 15%) was approved by the Ministry of Petroleum and Energy in 2012. The Bøyla field contains gross reserves of 22 MMboe and will be developed as a 28 km subsea tieback to the Alvheim FPSO. Development drilling is planned to commence in 2014 with production start for the Bøyla field targeted in the first quarter of 2015 at a gross plateau production rate of 20,000 boepd.

Johan Sverdrup – Appraisal

Lundin Petroleum discovered the Avaldsnes field in PL501 (WI 40%) in 2010. In 2011, Statoil made the Aldous Major South discovery on the neighbouring PL265 (WI 10%) and following continuous appraisal drilling through 2011 it was determined that the discoveries were connected. In January 2012, the combined discovery was renamed Johan Sverdrup. Statoil, as the working operator for Johan Sverdrup, announced in late 2013 an updated gross contingent resource range for the entire field of 1.8 to 2.9 billion boe with the resource predominately consisting of oil and thus ranking Johan Sverdrup in the top five discovered oil fields in Norway in terms of size. In late 2013 a front end engineering and design (FEED) contract was awarded to Aker Solutions with a view to be in a position to submit a plan of development (PDO) by early 2015. A final concept development decision was taken by the partners in February

We are
Lundin Petroleum

"I am responsible for our development and production operations in Norway

Erik Sverre Jenssen
Chief Operating Officer, Norway

A responsible operator

As employees are involved in all sectors of Lundin Norway's offshore activities, it is an important aspect of operations that the Company has measures in place to protect staff, contractors and the environment that they work in. More HSE information can be found in the Corporate Responsibilty section on pages 36–45

2014 having decided to develop the field in multi phases, with the first phase coming onstream in late 2019.

Phase 1 – field centre

Due to Johan Sverdrup's size and lateral extension over a 200 km^2 area, the field will be developed in several phases and with multiple fixed platform installations. Phase 1 of the development will contain the field centre of four fixed platform installations as well as additional subsea installations. The field centre will consist of one processing platform, one riser platform, one wellhead platform with drilling facilities and one living quarter platform. The platforms will be installed on steel jackets in 120 metres of water and will be bridge-linked.

The first phase of the development is scheduled to start production in late 2019 and is forecast to have a gross production capacity of between 315,000 and 380,000 boepd. It is anticipated that between 40 and 50 production and injection wells will be drilled to support Phase 1 production, of which 11 to 17 wells will be drilled prior to production start with a semi-submersible rig to facilitate Phase 1 plateau production.

The gross capital investment for Phase 1, which includes oil and gas export pipelines as well as a power supply from shore, is estimated at between NOK 100 to 120 billion, including contingencies and certain market allowances for potential future increases in market rates. The Phase 1 field centre will also facilitate certain spare capacity for future phases and potential enhanced recovery. The licence partners are continuously evaluating options to optimise the level of investment for Phase 1.

Export pipeline

The Johan Sverdrup oil and gas production will be transported to shore via dedicated oil and gas pipelines. A 274 km 36"oil pipeline will be installed and connected to the Mongstad oil terminal on the west coast of Norway. A 165 km 18" gas pipeline will be installed and connected to the Kårstø gas terminal for processing and onward transportation. The export pipelines are estimated to cost gross NOK 11 billion.

The field

The discovery is of variable thickness of good quality sands. Appraisal wells have been drilled on both PL501 and PL265 that confirm the oil water contact and the reservoir quality at each well location as well as the likely areal extent and distribution of the reservoir.

During 2013, a total of seven appraisal wells have been drilled on the field giving a total of 20 wells drilled on the structure, six of which included sidetrack wells.

The Johan Sverdrup field contains two major reservoir units of Jurassic age, the Draupne sandstone, also referred to as the Volgian sandstone, and the underlying Vestland group. The Draupne sandstone has excellent reservoir characteristics and contains the majority of the Johan Sverdrup resources. The Vestland group is still a very good quality reservoir with multi Darcy sands, characterised by more shaly intervals (lower net to gross) and is laterally more variable. The quality of the seismic is sufficient to allow accurate prediction of the reservoir top observed in most of the wells. The total Jurassic package thickness is variable throughout the field.

In March 2014 one appraisal well was drilled on the Avaldsnes High in PL501 (WI 40%), encountering a 13 metres of oil filled excellent quality jurrasic reservoar and one well is currently drilling to the north of the Geitungen appraisal well 16/2-12 on PL265 (WI 10%).

Future phases

The Johan Sverdrup resources not developed as part of Phase 1 will be developed through subsequent development phases. The scope and costs of further development phases has not yet been addressed by the Johan Sverdrup partners and will form the basis of later investment decisions.

Exploration

Lundin Petroleum follows an exploration strategy of identifying core areas and taking a major position with material ownership and operatorship. Annual exploration programmes are then based around working these core areas as well as identifying new core areas.

The current core areas are:
- Utsira High
- Barents Sea

New areas consist of:
- Norwegian Sea
- Møre Basin

Utsira High area

In 2007, Lundin Petroleum found the key to the geological setting on the Utsira High area with the Luno discovery which has led to the Edvard Grieg development. Subsequent drilling on similar structures around the Utsira High area led to the Avaldsnes discovery (Johan Sverdrup) in 2010. The work carried out in the area aligned with a greater understanding of the geology has generated further prospects which will be drilled over the coming years.

During 2013, another discovery was made with the Luno II discovery in PL359 (WI 40%) on the southwestern corner of the Utsira High with an estimated 25 to 120 MMboe of gross contingent resources. Subsequently, the eastern segment of the Luno II discovery in PL410 was appraised in late 2013 but failed to prove hydrocarbons at that location. One additional appraisal well will be drilled in the centre of the Luno II discovery in 2014.

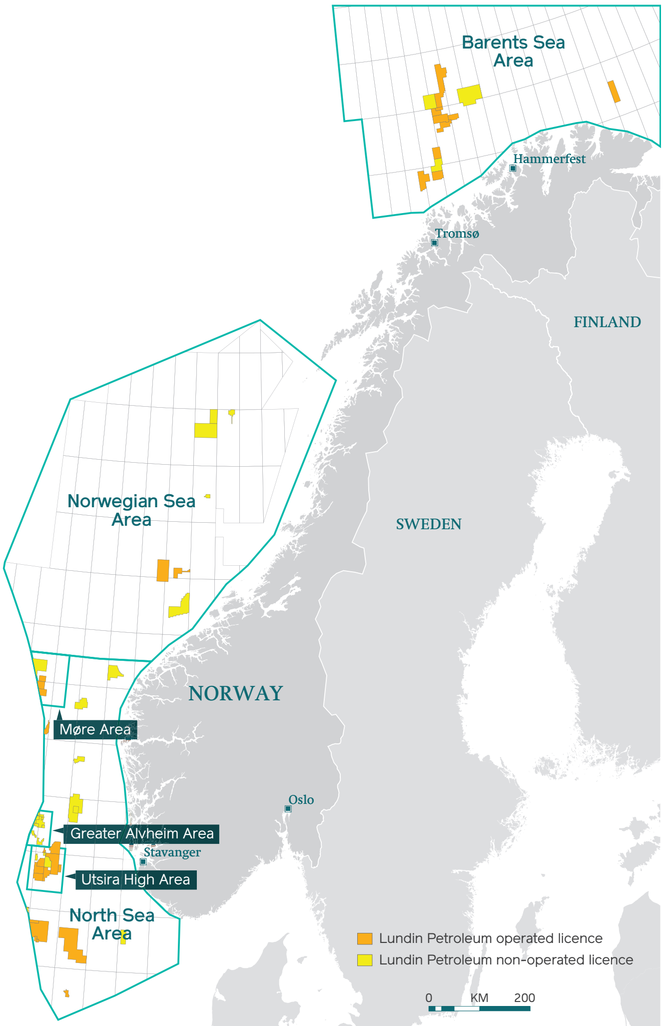
In addition to the Luno II well Lundin Petroleum drilled another three exploration wells on the Utsira High in 2013 with the Jorvik prospect on PL338 (WI 50%) discovering oil in tight reservoir rocks whilst the Biotitt well on PL544 (WI 40%) and the Torvastad well on PL501 (WI 40%) were dry.

Lundin Petroleum's exploration programme in 2014 on the Utsira High area consists of one exploration well targeting the Kopervik prospect.

Barents Sea area

Since 2007 Lundin Petroleum has accumulated one of the largest acreage positions in the Barents Sea, most of which is in the Loppa High region, close to Statoil's Johan Castberg discovery and Lundin Petroleum's own Gohta discovery. Lundin Petroleum has acquired 2,700 km^2 of 3D seismic, drilled five exploration wells resulting in two gas discoveries and one oil discovery in the area.

In 2013, Lundin Petroleum drilled one operated exploration well in the Barents Sea on PL492 (WI 40%) resulting in the Gohta discovery. The Gohta discovery is estimated to contain gross contingent resources of 111 to 232 MMboe and importantly proved an active Triassic source rock and a porous carbonate reservoir. Prior to the Gohta discovery, neither the Triassic/Upper permian oil source rock in the Loppa High region nor the carbonate reservoirs had been proven to work in the Barents Sea and therefore the Gohta discovery has far reaching consequences with respect to future exploration models in the area and could potentially upgrade the prospectivity for acreage which is on trend with the Gohta discovery such as PL609 (WI 40%) where Lundin Petroleum will drill the Alta prospect in 2014. One appraisal well is planned to be drilled on the Gohta discovery during 2014. The well on the Langlitinden prospect on PL659 (WI 20%) located on the southeastern fringe of the Loppa High in the Barents Sea has been completed encountering oil in tight reservoir and deemed non-commercial. Lundin Petroleum was awarded two additional operated licences in the Barents Sea during 2013, one through the 22nd Licensing round and one through the APA 2012 licensing round. In the APA 2013 licensing round, Lundin Petroleum was also awarded four new licences of which three are operated by the Company.



Norway licence map showing core areas of operation

Southern North Sea

Lundin Petroleum drilled two wells in the southern North Sea in 2013. The Ogna well was drilled on PL453s (WI 35%) and the Carlsberg well was drilled on PL495 (WI 60%) and both wells were dry. No wells are planned to be drilled in this area during 2014. In the APA 2013 licensing round Lundin Petroleum was awarded two new licences in the southern North Sea.

Møre area

The Albert well drilled on PL519 (WI 40%) in 2012 encountered oil in thin Cretaceous reservoir sequence but due to this and the uncertain distribution of the reservoir the discovery is currently deemed uncommercial. Further exploration activity is planned in this area in 2014 with the drilling of the Storm prospect in PL555 where Lundin Petroleum holds a 60 percent interest and is the operator.

Utgaard High

Lundin Petroleum has built an acreage position around the Utgaard High area in the Norwegian Sea. The Utgaard High area is on trend with the prolific Halten and Donna terraces. In 2013, the Sverdrup prospect on PL330 (WI 30%) was drilled by the operator RWE Dea, however the well failed to encounter any reservoir and was plugged and abandoned as a dry hole. The area is currently being evaluated for further prospectivity.

Licensing rounds

In January 2013, Lundin Petroleum was awarded seven exploration licences in the APA 2012 licensing round with four licences awarded in the North Sea, two in the Norwegian Sea and one in the Barents Sea. A further licence was awarded in the Barents Sea in the 22nd licensing round in 2013. In January 2014, Lundin Petroleum was awarded nine exploration licences in the APA 2013 licensing round with five licences in the North Sea and four in the Barents Sea.

Lundin Petroleum's exploration programme in Norway for 2014 will consist of six exploration wells for which drilling rigs have been secured.

Utsira High Area

Edvard Grieg Field PL338 (WI 50%)	Johan Sverdrup Field PL501(WI 40%) and PL265 (WI 10%)	Utsira High Exploration
• Edvard Grieg (Luno) discovery in 2007 • Tellus discovery in 2011 • Edvard Grieg/Tellus net reserves 93 MMboe • Edvard Grieg/Tellus PDO approved in 2012 and development commenced • Production start targeted in Q4 2015 • Edvard Grieg appraisal well currently drilling	• Johan Sverdrup discovered in 2010 on PL501 and in 2011 on PL265 • 20 wells drilled on the discovery to date • Gross contingent resource estimate by Statoil (working operator) 1.8–2.9 billion boe • Resources on PL501, PL265 and PL502 to be unitised • FEED contract awarded • Phase 1 concept selected • Field unitisation to be completed by PDO submission date • PDO approval Q2 2015 • Production start end 2019	• 1 exploration well planned to be drilled in the Utsira High Area during 2014 – PL625 (WI 40%), Kopervik prospect

Greater Alvheim Area

Alvheim Field (WI 15%)	Volund Field (WI 35%)	Bøyla Field (WI 15%)
• Net reserves 21.7 MMboe • Gross ultimate recovery 307 MMboe • 2013 net production 10,500 boepd • 15 producing wells, 9 multilaterals • 3 new infill wells to be drilled in 2014–2015 • Ownership of the Alvheim FPSO	• Net reserves 7.8 MMboe • Gross ultimate recovery 66 MMboe • 2013 net production 12,200 boepd	• Bøyla discovery in 2009 • Caterpillar discovery in 2011 • PDO approved in 2012 • Net reserves 3.3 MMboe • Production start targeted in Q1 2015

Barents Sea Area

Gohta Discovery PL492 (WI 40%)	Barents Sea Discoveries	Barents Sea Exploration
• Gohta discovery in 2013 • Discovery tested 4,300 boepd • Gross contingent resources 111–232 MMboe • Gohta appraisal planned in 2014	• PL438 (WI 25%) Skalle gas discovery in 2011 • PL533 (WI 20%) Salina gas discovery in 2012	• 1 exploration well planned to be drilled in the Barents Sea Area during 2014 – PL609 (WI 40%) Alta prospect

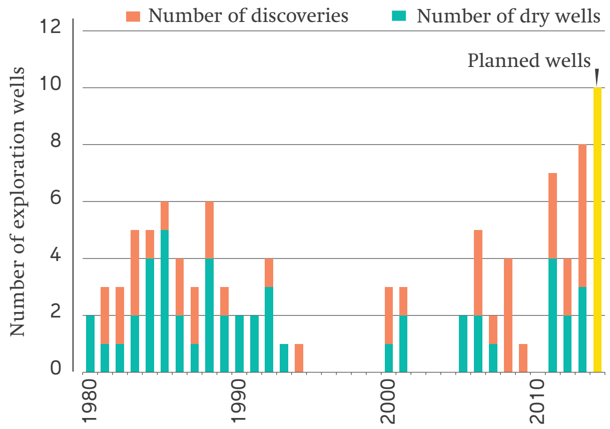
Other Areas

Brynhild Field PL148 (WI 90%)	Gaupe Field (WI 40%)	Other exploration
• Net reserves 23 MMboe • PDO approved 2011 • Production start targeted in Q2 2014	• Net reserves 0.2 MMboe • 2013 net production 1,200 boepd • Field is expected to cease production in 2014	• 3 further exploration wells are planned to be drilled during 2014 – PL584 (WI 60%) Lindarormen prospect – PL631 (WI 60%) Vollgrav prospect – PL555 (WI 60%) Storm prospect

Barents Sea
The fourth wave of exploration

The Barents Sea lies off the northern coast of Norway. Contrary to common perception, the southern portion of the Barents Sea, where Lundin Petroleum's exploration licences are situated offers a relatively benign operating environment. Water depths are relatively shallow and the area is ice free due to the influence of the Gulf Stream. The Norwegian Petroleum Directorate (NPD) estimates that the undiscovered resource potential of the Norwegian Barents Sea is between 3.2 and 17.7 billion boe. The Barents Sea has been under explored relative to the Norwegian Sea and the North Sea with fewer than 100 exploration wells drilled.

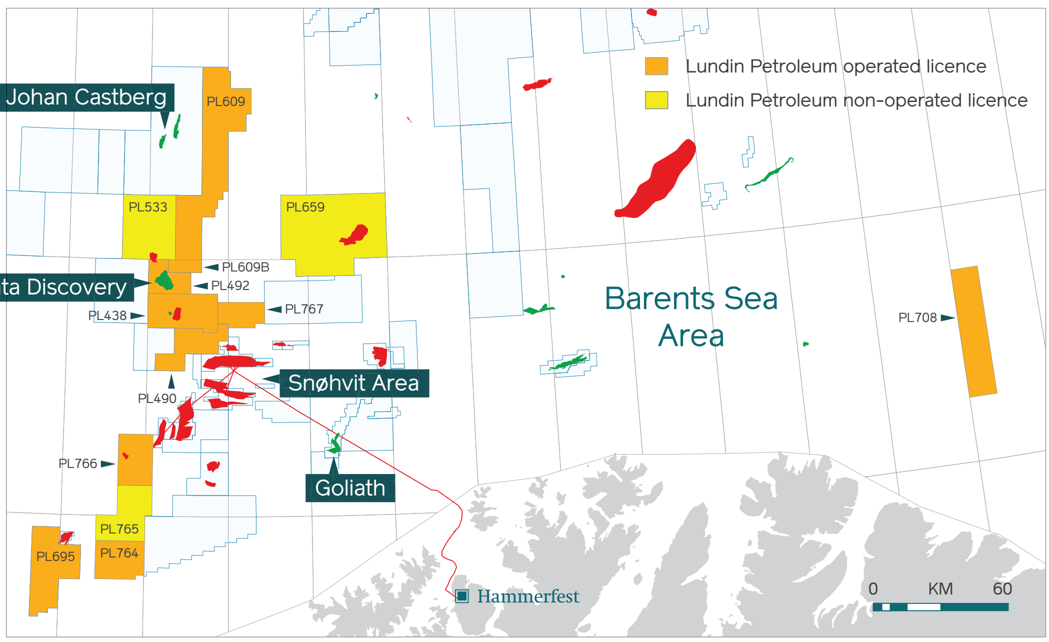
The first exploration wave in the Barents Sea came after the NPD conducted a strategic mapping exercise of the hydrocarbon potential on the Norwegian shelf. That exercise resulted in a gradual opening of the Norwegian Sea and the Barents Sea in the period between 1979 and 1982. Both areas were considered to contain a diversity of play types and petroleum systems. The NPD's assessment of the resource potential in the Norwegian Sea was predominantly oil prone with some gas. In contrast, the Barents Sea was considered predominantly gas prone by the NPD with some oil potential. The major oil companies held a different view. Their focus was on the Barents Sea, where they saw predominantly oil potential. Following an initial drilling campaign in both areas, a series of oil and gas discoveries were made in the Norwegian Sea and a major gas discovery, Snøhvit, was made in the Barents Sea.



A second wave of exploration came from the strategic concession licensing round in 1986/1987 where the focus was on a series of large structures identified in the Barents Sea. A number of dry wells with some minor oil shows resulted from this second wave of exploration. Following this, a consensus formed within the major oil companies who believed: "Too late, the oil has leaked out during the uplift and the ice age."

A third exploration wave came from within large concessions that were awarded with substantial follow up acreage in case of breakthroughs. Limited commercial success followed, with only minor discoveries made. The exception was the very positive Goliath oil discovery.

The fourth exploration wave started in 2004 with the inclusion of the Barents Sea in the APA licensing rounds, combined with the introduction of new players into Norway. The result so far has been a number of very promising discoveries including Johan Castberg, Wisting and Gohta. These breakthroughs have arisen through the application of new 3D seismic data combined with the creative thinking of geoscience experts seeking to unlock new play concepts.



Lundin Petroleum's licences in the Barents Sea Area

We are
Lundin Petroleum

From left to right: Trond Kristensen – Senior Geophysicist, Terje Kollien – Senior Petrophysicist, Jon Halvard Pedersen – Petroleum System Analyst, Harald Brunstad – Senior Geologist, Hans Christen Rønnevik – Exploration Manager

> "It is our job to gather and interpret new and old Barents Sea Area data, generate geological models and identify leads and prospects for drilling
>
> Barents Sea Subsurface Team, Norway

Lundin Petroleum has been active in the Barents Sea for many years with applications and awards starting with the APA 2006 licensing round. Within Lundin Petroleum, the Barents Sea is considered a very promising exploration area comparable in size with the North Sea. Following the same successful strategy applied on the Utsira High with the discovery of the Edvard Grieg and Johan Sverdrup fields, Lundin Petroleum has established a core area around the southern part of the Loppa High. The reason for the focus on the Loppa High is a belief that this area has one of the highest chance for new oil and gas accumulations.

The recent oil discoveries Johan Castberg, Gohta and Wisting have confirmed this belief and consequently new opportunities are opening up as a result. The Johan Castberg discovery was made in 2011 by Statoil in PL532. A distinct direct hydrocarbon indicator was targeted and the well proved oil and gas in early to middle Jurassic sandstones of the Stø and Nordmela formations, with a gas-oil contact at 1,312 metres. The Gohta discovery was drilled in 2013 by Lundin Petroleum in PL492. The discovery well confirmed the presence of oil and gas in late Permian carbonate and siliciclastic rocks at around 2,300 metres. The Wisting discovery was drilled in 2013 by OMV in PL537. That well found non-biodegraded oil in Jurassic sandstones at only a few hundred metres below the sea floor. These recent oil discoveries have provoked a new wave of interest for exploration in the Barents Sea area. The Gohta discovery opens up a new oil play on the Loppa High – late Permian rocks exposed to weathering processes around 250 million years ago. This play is likely to be present along the Loppa High crest. It may also be present in other places in the Barents Sea where late Permian rocks have been exposed and porosity and permeability developed due to weathering.

The "fresh" oil found in reservoirs at shallow depths in the Johan Castberg and Wisting discoveries suggest that oil charge has occurred relatively recently, perhaps even during the most recent episodes of glaciation. If this is confirmed, it will significantly reduce the risk of hydrocarbon leakage through time. In addition, shallow reservoirs may exhibit good reservoir properties as a result of limited burial and sandstone diagenesis. This play may extend along the western margin of the Loppa High and northwards into the Hoop fault complex area.

PL492 was awarded to Lundin Petroleum in 2008. The main prospect in the licence, Gohta, was a large Permian four way structural closure. An exploration well was drilled down flank on the structure by Shell in 1986. The well had oil shows, however, the Permian carbonate reservoir was too tight to flow any fluids. Later detailed evaluation of the structure by Lundin Petroleum with the use of modern 3D seismic revealed that up-dip from the well the Permian carbonates had been exposed to erosion and thereby rain water. Rain water was slightly acidic in the Permian era leading to partial dissolution of the carbonates, known as karstification. The result is that a tight carbonate rock can be transformed into a porous reservoir rock. The Gohta exploration well was drilled by Lundin Petroleum in 2013 to test this concept and it proved to be correct. A successful drill stem test (DST) was conducted, flowing more than 4,000 barrels of non-degraded oil per day through a 44/64 choke. An appraisal well is planned for 2014, to investigate the areal extent of the karstification.

After a long-standing dispute, the Norwegian and Russian authorities agreed on the border line between Norway and Russia in 2010. The Norwegian government has announced that the acreage in the Barents Sea bordering to Russia will be made available for exploration in the upcoming 23rd licensing round with licence awards expected in 2015. A group of companies, including Lundin Petroleum, committed to shoot advanced 3D seismic over the acreage to be offered for licensing in the 23rd Licensing round.

Bertam field surface layout – FPSO and wellhead platform

South East Asia

Lundin Petroleum's Bertam field, the first development in its South East Asia core area will start production in 2015.

Since entering Malaysia in 2008, Lundin Petroleum has grown its position to the point where the Company is now the second largest acreage holder after Petronas. In total the Company holds six Production Sharing Contracts (PSCs) in Malaysia and six PSCs in Indonesia. As in Norway, Lundin Petroleum is pursuing an organic growth strategy in South East Asia. In recent years Lundin Petroleum has been successful in Malaysia in making several gas discoveries and one commercial oil discovery. During 2014, three exploration wells are planned to be drilled and one appraisal well will be drilled on the Tembakau gas discovery made in late 2012. The Bertam oil field offshore Peninsular Malaysia is being developed and the field is planned to commence production during 2015.

Lundin Petroleum's assets in South East Asia are located offshore Malaysia and offshore and onshore Indonesia. Lundin Petroleum's assets offshore Malaysia consist of approximately 34,000 km^2 of exploration acreage, four gas discoveries and three oil discoveries. The Indonesian assets consist of approximately 23,000 km^2 of exploration acreage and one producing field onshore Sumatra.

Malaysia

Since completing its ten well exploration drilling programme offshore Malaysia in 2011 and 2012, Lundin Petroleum has at the end of 2013 discovered 13.7 MMboe of net reserves and 82 MMboe of net contingent resources. Lundin Petroleum operates in two core areas in Malaysia.

Offshore Peninsular Malaysia

Lundin Petroleum holds four PSCs offshore Peninsular Malaysia and has drilled six exploration wells in the area resulting in two oil discoveries, Janglau and Ara, confirmed one existing oil discovery, Bertam, and made one gas discovery, Tembakau.

In 2013 Lundin Petroleum received development plan approval for the Bertam oil field on Block PM307 (WI 75%). The Bertam oil field is Lundin Petroleum's first development project in Malaysia. The field contains net reserves of 13.7 MMboe and it will be developed with an unmanned wellhead platform producing to the FPSO which is owned by Lundin Petroleum. The contract for the wellhead platform was awarded to TH Heavy Engineering (THHE) in 2013 and platform construction commenced at THHE's yard in Pulau Indah in late 2013. Keppel was awarded the contract to refurbish the FPSO and this work

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"My job is to supervise all subsurface issues related to petroleum engineering for the South East Asia assets, including resource, production and new business evaluation

Rozlin Hassan

Head of Petroleum Engineering, Malaysia

commenced at Keppel's shipyard in Singapore in 2013. The drilling of 13 development wells will commence in 2014 and will continue into 2015. Bertam is expected to come onstream in the second quarter of 2015 and gross plateau production of 15,000 bopd is also expected to be reached in 2015. The Tembakau gas discovery, which is also located in Block PM307, will be appraised during 2014.

The Tembakau discovery is currently estimated to contain 306 bcf (51 MMboe) of gross contingent gas resources and the appraisal well has the objective to prove additional gas within the structure. Tembakau is believed to be a commercial gas discovery given its proximity to the east coast of the Peninsular of Malaysia and given that Peninsular Malaysia gas demand growth is projected to outpace gas production from offshore Peninsular Malaysia.

Block PM308A (WI 35%) contains the Janglau, Ara and Rhu discoveries in Oligocene oil sands. Due to the reservoir characteristics and their limited size none of these discoveries are currently deemed to be commercial.

In December 2012, Lundin Petroleum announced the award of a new PSC offshore Peninsular Malaysia. Block PM319 is operated by Lundin Petroleum with an 85 percent working interest with Petronas Carigali holding a 15 percent working interest. The Block covers an area of approximately 8,400 km² and is located west of Block PM307.

Offshore Sabah – East Malaysia

Lundin Petroleum holds two PSCs offshore Sabah in east Malaysia. Lundin Petroleum has drilled four exploration wells offshore Sabah in east Malaysia since 2011 resulting in three gas discoveries, Tarap, Cempulut and Berangan.

Block SB303 (WI 75%) contains the Tarap, Cempulut, Berangan and Titik Terang gas discoveries with an estimated gross contingent resource of more than 340 bcf (57 MMboe). Lundin Petroleum continues to evaluate the potential for commercialisation of these gas discoveries, most likely through a cluster development. A number of possible development solutions are being evaluated as part of the gas commercialisation studies.

An acquisition of 500 km² of new 3D seismic in Block SB307/308 (WI 42.5%) was completed during 2012 and from this data Lundin Petroleum has high graded a number of prospects. Two of these prospects, located on trend with the currently producing Shell fields SF30 and South Furious, will be drilled in 2014. During 2013 a further 462 km² of new 3D seismic was acquired in the southwest of Block SB307/308.

Sustainable investment programme

Lundin Petroleum has an active sustainable investment programme in South East Asia through direct Company investment and through its partnership with the Lundin Foundation. See Sustainable Investments on pages 43–45 for more information.

Indonesia

Lematang (south Sumatra)

Lundin Petroleum has a 25.88 percent ownership in the onshore gas producing field Singa, onshore Sumatra. The field produced close to expectations during 2013. The current PSC expires in 2017 and the reserves associated with the field do not extend beyond 2017. Lundin Petroleum has booked additional contingent resources on Singa which will be converted to reserves if and when the PSC expiry date is extended. In early 2014 a new gas sales agreement was put in place for the Singa field resulting in an increased gas sales price of USD 7.97 per million British Thermal Units (MMbtu) compared to the previous price of USD 5.2 per MMbtu.

Natuna Sea

Lundin Petroleum has four PSCs in the Natuna Sea area with a 90 percent operated working interest: Cakalang, Baronang and the Gurita PSCs. Lundin Petroleum farmed-out a ten percent interest in Cakalang, Baronang and the Gurita PSC to Nido Petroleum in 2013. In addition, the Company operates the South Sokang PSC with a 60 percent working interest. Three exploration wells were planned to be drilled in Indonesia during 2014, two on the Baronang PSC and one on the Gurita PSC. The two wells on the Baronang PSC were completed in February and March 2014. Both wells encountered good quality reservoirs but neither well found any hydrocarbons.

Cendrawasih VII

During 2013 Lundin Petroleum agreed with SKKMigas to swap its Sareba Block with the 5,545 km² Cendrawasih VII Block (WI 100%) offshore east Indonesia. The block contains an undeveloped Pliocene gas discovery and has 950 km² of 3D seismic which was shot in 2009. Lundin Petroleum plans to reprocess the 3D seismic survey ahead of deciding upon a possible exploration drilling programme.

We are Lundin Petroleum

“My job is to integrate all subsurface data for the Indonesian licences including seismic and well data

Jeres Rorym Cherdasa
Geoscientist, Indonesia

Malaysia

Malaysia Key Data	2013	2012
Reserves (MMboe)	**13.7**	12.7
Contingent resources (MMboe)	**82**	82

Offshore Peninsular Malaysia

- PM307 (WI 75%) Bertam field
  - Net reserves 14 MMboe
  - Field development plan approved in 2013
  - Facilities installation and pre-drilling in 2014
  - First oil expected Q2 2015
- PM307 (WI 75%) Tembakau gas discovery in 2012
- Tembakau appraisal well in 2014
- PM307 (WI 75%) one exploration well on Rengas prospect in 2014

Offshore Sabah – East Malaysia

- SB303 (WI 75%) 4 existing gas discoveries on Block – possible cluster development
- SB307/308 (WI 42.5%) 2 exploration wells planned for 2014 – Kitabu and Maligan prospects

Indonesia

Indonesia Key Data	2013	2012
Reserves (MMboe)	**2**	3
Contingent Resources (MMboe)	**3**	3
Average production per day (Mboepd)	**2**	1
Net Turnover (MUSD)	**17**	11
Sales price achieved (USD/boe)	**33**	32
Cost of operations (USD/boe)	**9**	15
Operational cash flow contribution (USD/boe)	**24**	13

Indonesia Exploration and Production

- Lematang (WI 25.9%) Singa gas field – net reserves 1.9 MMboe
- Baronang/Cakalang (WI 90%) 2 exploration wells drilled in 2014 on the Balqis/Boni prospects. Option exercised by Nido Petroleum to increase its stake in the Baronang PSC from 10% to 15%, awaiting SKKMigas approval
- Gurita (WI 90%) One exploration well planned in 2014 on the Gobi prospect
- South Sokang (WI 100%) 1,000 km² 3D seismic acquired
- Cendrawasih VII (WI 100%) acquired offshore east Indonesia in a swap with the Sareba Block

Grandville field, Paris Basin France

Continental Europe

France and Netherlands

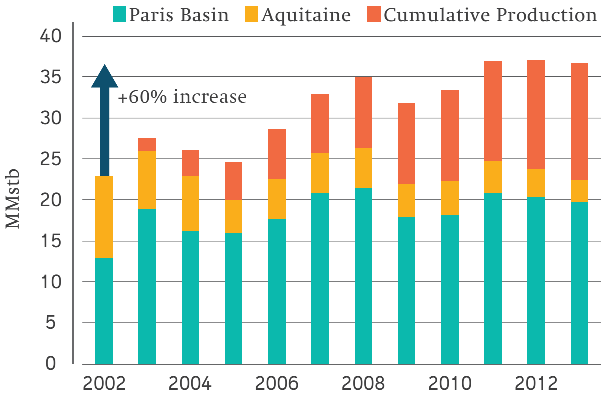
Lundin Petroleum continues to search for opportunities to extend the life of its mature assets in France and the Netherlands that provides the Company with stable oil and gas production. Given the favourable fiscal regimes for upstream activity in France and the Netherlands, the Company has the incentive to continue to invest with the purpose of maintaining the strong operating cash flow generated by these assets.

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

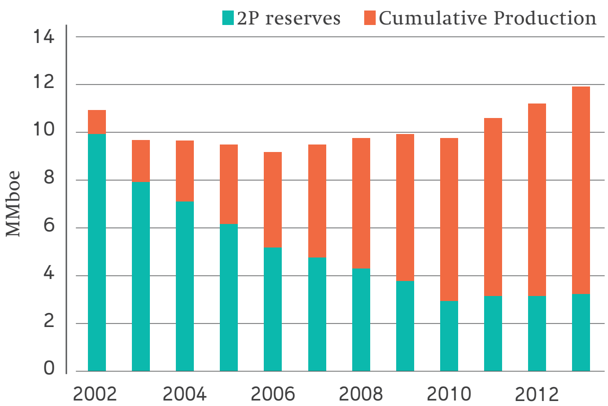
The French and Dutch assets were acquired through a corporate acquisition of Coparex in 2002. The combined net reserves at the time of acquisition was around 32 MMboe and the net cumulative production from the date of acquisition up to the end of 2013 was 23.2 MMboe. The remaining net reserves at the end of 2013 was 25.9 MMboe demonstrating that a significant portion of the produced volume has been replaced with additional reserves through a pro-active infill drilling and reservoir management strategy. The French assets also contain contingent resources of 12.8 MMboe net to Lundin Petroleum. During the course of 2013 the Grandville (WI 100%) redevelopment in the Paris Basin was going through a production ramp-up phase and towards the end of 2013 the production from the redevelopment had reached record production levels. Following the success at the Grandville field the Company plans to commence redevelopment of the Vert la Gravelle field during 2014.

The gas production in the Netherlands during 2013 was stable and the production performance was in line with forecast. During 2014 four development wells and five exploration wells are planned to be drilled.

FRANCE ULTIMATE RECOVERABLE RESERVES



NETHERLANDS ULTIMATE RECOVERABLE RESERVES



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> It is my job to measure the quality of produced oil and water from our facilities in the Paris Basin region

Guy Rossi
Quality Control Engineer, France

France

Paris Basin

France Key Data	2013	2012
Reserves (MMboe)	**23**	24
Contingent Resources (MMboe)	**13**	13
Average production per day (Mboepd)	**3**	3
Net Turnover (MUSD)	**112**	118
Sales price achieved (USD/boe)	**107**	110
Cost of operations (USD/boe)	**28**	23
Operational cash flow contribution (USD/boe)	**55**	61

- Redevelopment of the Grandville (WI 100%) completed in 2012 The redevelopment production ramp-up has progressed as expected during 2013
- Exploration well on the Amaltheus prospect (WI 100%) completed as a discovery and the well was put on long-term production test in late 2012
- One exploration well to be drilled in 2014 on the Est Champagne licences targeting the Hoplites–1 prospect (WI 100%)
- Commencement of Vert la Gravelle redevelopment in 2014

Netherlands

Offshore/Onshore

Netherlands Key Data	2013	2012
Reserves (MMboe)	**3**	4
Average production per day (Mboepd)	**2**	2
Net Turnover (MUSD)	**50**	55
Sales price achieved (USD/boe)	**64**	60
Cost of operations (USD/boe)	**16**	15
Operational cash flow contribution (USD/boe)	**18**	52

- Vinkega–2 exploration well completed as a gas discovery on the Gorredijk concession (WI 7.75%) in 2012 and put into production during 2013
- 5 exploration wells planned to be drilled in 2014, 1 offshore and 4 onshore
- 4 development wells planned to be drilled in 2014

Russia

In the Lagansky Block (WI 70%) in the northern Caspian a major oil discovery, Morskaya, was made in 2008. In October 2013, Lundin Petroleum announced a Heads of Agreement with Rosneft whereby Rosneft will acquire a 51 percent shareholding in LLC PetroResurs which owns a 100 percent interest in the Lagansky Block. Following the completion of this transaction, Lundin Petroleum will have a 34.3 percent effective interest in the Lagansky Block. It is expected that the Rosneft acquisition will be completed in the first half of 2014.

In September 2013, the Russian president signed into law a change on taxes regarding offshore hydrocarbon extraction activities in order to incentivise offshore developments, including the Caspian Sea. The major change involved export duty which was reduced to zero for the period until 31 March 2032 (compared to a previous rate which ranged from 55 to 65 percent). The previous oil mineral extraction tax (MET) subsidy was eliminated as part of the changes, partially compensated by a reduced rate of 15 percent for seven years from the date of commercial production. The change provides an uplift in value for qualifying fields, particularly important for Lundin Petroleum's interest in the Morskaya field.

Russia

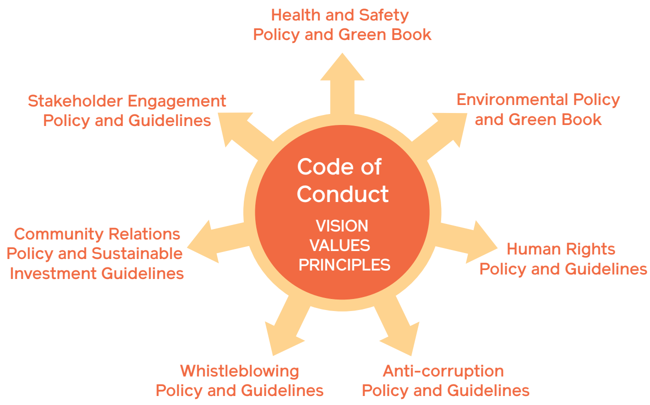
Production

Russia Key Data	2013	2012
Reserves (MMboe)	**6**	7
Contingent Resources (MMboe)	**110**	110
Average production per day (Mboepd)	**5**	5
Net Turnover (MUSD)	**128**	152
Sales price achieved (USD/boe)	**78**	77
Cost of operations (USD/boe)	**14**	13
Operational cash flow contribution (USD/boe)	**9**	10

- 3 non-operated producing assets in the Komi region in northern Russia (WI 50%)
- During 2013 various infill wells were drilled and continued infill drilling is planned for 2014
- 47% of the produced oil was sold to the international market during 2013

Responsible Operations

Lundin Petroleum takes into consideration the potential impact on people and the environment in all its strategic decisions and field activities.



Corporate Responsibility (CR) Framework

Lundin Petroleum is committed to carry out its worldwide operations in a responsible manner. This means that both strategic decisions and field activities take into consideration potential impacts on people and the environment. Lundin Petroleum has developed a CR framework that establishes systems and procedures to protect the health, safety and security of its stakeholders as well as the environment. The commitments to responsible corporate citizenship by which the Company is guided are set out in Lundin Petroleum's Code of Conduct. The Company's Policies, Guidelines and Management System further detail how each operating unit must implement the CR principles in their activities. CR is an evolving field which requires continuous improvement. This means seeking to achieve social, environmental and economic benefits simultaneously.

Third Party Assessment

At the beginning of 2013 Lundin Petroleum underwent a third party assessment of its CR framework and practice to confirm its alignment with industry best practice. Lundin Petroleum's CR Management System was audited by Ernst & Young Sweden. The main findings were that "Lundin Petroleum has leading management systems relating to their material areas – Health, Safety and Environment (HSE)" and that the maturity levels of other CR areas were Established to Advanced. The third party audit findings and recommendations guided Lundin Petroleum in the process of reinforcing its CR management throughout the year.

Human Rights Policy and Guidelines

In 2013 Lundin Petroleum developed Human Rights Guidelines to operationalise the Policy it adopted further to the Board of Directors' endorsement of the United Nations Guiding Principle on Business and Human Rights. The Guidelines were developed in accordance with stakeholder recommendations, including the European Commission's Oil and Gas Sector Guide on Implementing the UN Guiding Principles. The Guidelines formalise the human rights due diligence process and requires that human rights risk assessments be conducted in countries of operations on a regular basis and, where relevant, to be followed up with further studies or measures.

Stakeholder Engagement Policy and Guidelines

In 2013, Lundin Petroleum formalised a long standing practice of open and constructive dialogue with stakeholders; the people and organisations which may be affected by or influence the Company's activities. Lundin Petroleum has a wide range of stakeholders such as shareholders, employees, governments, local communities, business partners, industry groups, NGOs, international organisations, academics and media. The Guidelines set up a process to ensure that the Company is aware of and manages effectively stakeholder issues.

Corporate Responsibility Management System Audit

In 2013, Lundin Petroleum rolled out a Corporate Responsibility Management System Audit, a process to ensure its Code of Conduct commitments, namely human rights, anti-corruption, labour standards, environment, sustainable investments and stakeholders are respected throughout the Group. The audit covers all elements of its CR Framework except Health and Safety which are subject to a separate audit, environmental

New in 2013
Developments in Lundin Petroleum's Corporate Responsibility Management:

- Third Party CR Management System Audit
- New Policy & Guidelines
- New CR Management System Audit Process
- EITI Supporting Company
- CDP Supporting Company
- Partnership with Lundin Foundation

The Way Forward
Objectives for 2014:

- Embed further the CR Framework throughout the Group
- Conduct CR Management System Audits in all operated areas
- Continuously improve HSE performance
- Contribute to socio-economic development and environmental protection through Lundin Foundation

issues being included in both processes. A first round of management system reviews was conducted in all operating areas in 2013.

Anti-Corruption Commitment
While Lundin Petroleum's main focus remains on implementing Corporate Responsibility within the Group, it engages with international initiatives relevant to the Company's commitments. Thus, in 2013, Lundin Petroleum became a supporting member of the Extractive Industries Transparency Initiative (EITI).

Partnership with Lundin Foundation
In 2013 Lundin Petroleum entered into a partnership with the Lundin Foundation in order to increase the scale and impact of Lundin Petroleum's sustainable investments. For more information see pages 43–45.

We are
Lundin Petroleum

"My job is to ensure that wherever we operate we abide by the same high CR standards

Christine Batruch

Vice President
Corporate Responsibility

Health, Safety and Environment

The purpose of a Health, Safety and Environmental (HSE) management system (the Green Book) is to prevent accidents or incidents with an impact on people, environment and/or assets. The Company undertakes risk assessments and uses Key Performance Indicators (KPIs) as an HSE management tool, focusing not only on areas where incidents have already occurred, but where they could potentially occur in the future. Sharing experiences, lessons learned and best practice is also important and takes place informally within the Group on an ongoing basis and formally through bi-monthly HSE teleconferences and management visits to operations.

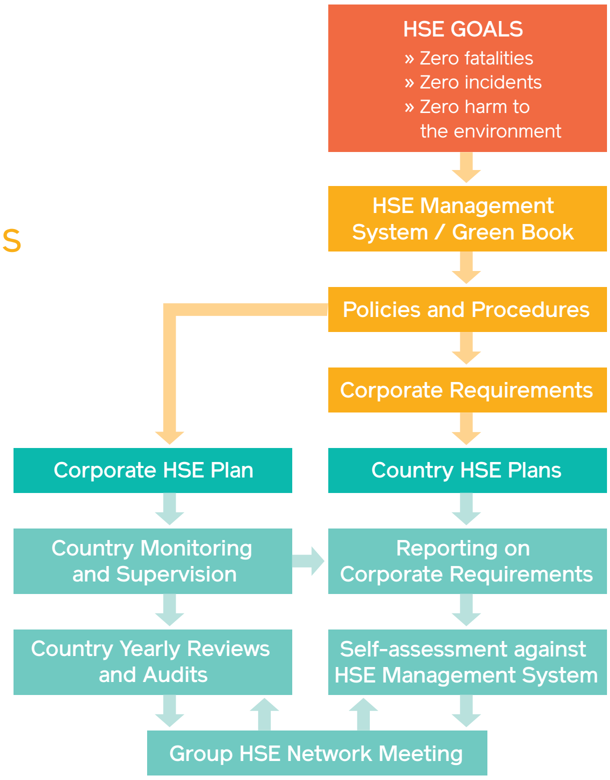
Since the Company was created, there have been no work-related fatalities in its operations. In 2013, Lundin Petroleum's overall KPIs improved over previous years. The Lost-Time incidents were of a minor nature without a permanent impact on the people concerned. There were no reportable oil spills throughout the Group and as for the chemicals spills, they involved small amounts of non-hazardous chemicals (a fraction of the volumes reported in the HSE Indicator Data table below).

HSE Indicator Data		2013	2012	2011	2010	2009 [5]
Exposure Hours	Employees	960,508	909,196	1,036,831	731,793	905,166
	Contractors	2,074,824	1,561,482	2,354,452	2,336,409	3,454,980
Fatalities	Employees	0	0	0	0	0
	Contractors	0	0	0	0	0
Lost Time Incidents [1]	Employees	2	2	3	2	2
	Contractors	4	5	3	2	1
Restricted Work Incidents [2]	Employees	0	0	0	0	1
	Contractors	0	0	3	7	0
Medical Treatment Incidents [3]	Employees	0	1	1	0	2
	Contractors	2	0	4	17	7
Lost Time Incident Rate [4]	Employees	0.42	0.44	0.58	0.55	0.44
	Contractors	0.39	0.64	0.25	0.17	0.06
Total Recordable Incident Rate [4]	Employees	0.42	0.66	0.77	0.55	1.10
	Contractors	0.58	0.64	0.85	2.23	0.46
Oil Spills	No.	0	2	7	1	1
	Vol. (m^3)	0	4	33	10	40
Chemical Spills	No.	7	1	2	1	2
	Vol. (m^3)	59.37	1.75	3.50	7.70	129.78
Hydrocarbon Leaks	No.	0	0	0	0	1
	Mass (kg)	0	0	0	0	4
Near Misses with High Potential	No.	2	5	3	3	24
Non-compliance with Permits/Consents	No.	0	0	0	6	19

1 Lost Time Incident (LTI) is an incident which results in a person having at least one day away from work.
2 Restricted Work Incident (RWI) is an incident which results in keeping a person from performing one or more routine functions.
3 Medical Treatment Incident (MTI) is a work related injury or illness that does not result in a job restriction or days away from work.
4 Lost Time Incident Rate and Total Recordable Incident Rate are calculated on the basis of 200,000 hours.
5 Includes United Kingdom.

> The safety of our employees and contractors is our highest priority and we focus on means to minimise our environmental footprint while exploring options to increase energy efficiency

C. Ashley Heppenstall
President and CEO



Health, Safety and Environment

Health, Safety and Environment is a priority in our business. In 2013 additional emphasis was placed on HSE management during development operations as well as contractor evaluations. HSE management system reviews were carried out on the Bertam Project in Malaysia and the Brynhild Project in Norway. In addition to assessing management of contractor performance, on-site visits were conducted at two shipyards in Singapore to evaluate the HSE practice of contractors.

While HSE is integrated in many different ways in daily operations, the following concrete examples illustrate how HSE managers and their teams promote HSE stewardship throughout the Group.

HSE Regional Meeting in South East Asia

A three-day meeting took place in October in Kuala Lumpur and Singapore with Lundin Petroleum HSE managers. The purpose of the meeting was to discuss implementation of the Group HSE strategy, as well as challenges and opportunities related thereto. Given that HSE is a fundamental part of risk management, a special session was held on risk, where HSE managers shared methods of identifying, preventing and managing risks within their respective operations.

On its third day the team visited the Keppel and Jurong shipyards in Singapore where the FPSO is being modified for the Bertam field offshore Malaysia and the Flotel destined for the Edvard Grieg field is being built. The purpose of these site visits was to ensure contractors and suppliers adherence to Lundin Petroleum's CR and HSE expectations.

The team also visited Oil Spill Response to familiarise themselves with the equipment that would be called upon in the event of an incident and to meet face to face the people who would assist the Company in such a case.

> *"The HSE meeting in South East Asia was the first of its kind within the Group. It offered the opportunity to share best practice regarding HSE and Risk Management and provide feedback on everyone's activities and documentation. Further positive outcomes are strengthened relationships between HSE managers of different regions."*
>
> Bernt Rudjord,
> HSE Manager, Lundin Norway

HSE Contractor Management

Lundin Petroleum is committed to ensure safety not only of its employees but of any one working for the Company. Contractor performance from an HSE perspective is evaluated during the contractor selection process as well as through inspections once contractors have been awarded a task.

Employees and contractors who work in the Company's operational premises undergo an HSE induction course.

In the fall, Lundin France convened 55 key contractor companies for an HSE awareness day. A total of 64 persons participated in the event during which the Company restated its HSE expectations and participants shared best practice.

Stakeholder Engagement

It is important for Lundin Petroleum to communicate with its stakeholders, people and organisations which are impacted by or impact the Company. In its Code of Conduct, Lundin Petroleum identifies its main stakeholders to be its shareholders, employees, host countries, local communities and society at large and those continue to be the focus of the Company's attention. In 2013, Lundin Petroleum developed a formalised process of stakeholder engagement which will be rolled out throughout the Group in 2014. The type and frequency of engagement differs among stakeholders according to the need and opportunity for engagement.

Shareholders

Shareholders are informed of Lundin Petroleum's strategy and ongoing activities through public disclosure in the form of financial reports, press releases and through the website. The Company also engages with shareholders in individual or joint meetings and at the Annual General Meeting. In November 2013, Lundin Petroleum organised a site visit to French operations for a number of institutional shareholders to offer them a better understanding of means put in place to run operations in a sustainable and safe manner.

Employees

Engagement with staff takes place on a daily basis throughout the Group. In addition, senior management visits country offices. Training sessions, audits and individual meetings to discuss corporate responsibility issues in practice are held in the countries of operations.

Host Governments

Contact with host governments take place prior to the acquisition of a licence and the engagement with host governments at national and local level continues throughout the lifetime of an oil and gas asset.

Local Communities

Engagement with local communities takes place on the occasion of socialisation programmes, town hall meetings or local events held in the countries of operations.

International Initiatives

Lundin Petroleum also engages with a variety of organisations such as NGOs, International Initiatives and Industry Groups in different forums. In 2013 Lundin Petroleum participated in events dedicated at promoting responsible business practice such as the EITI Global Conference, the Global Compact Leaders' Summit, the UN Forum on Business & Human Rights, the French Industrial Petroleum Union and the Norwegian Oil and Gas Association.

Lundin Petroleum also seeks to contribute to the better understanding of the importance and impact of Corporate Responsibility in its operations and to the sector by participating as speaker or panelist in conferences or workshops which also offer the opportunity to meet experts in relevant corporate responsibility fields. One such conference was organised by the International Council on Swedish Industry and the Geneva Peacebuilding Platform on the subject of Leadership in Complex Markets.

What they say about us

Shareholders

"I appreciate Lundin Petroleum's invitation to visit the operations in France. The field visit gave me a better understanding of how the operations are run and how sustainability issues are integrated into the daily work. During the visit I got the opportunity to discuss environment, health and safety with the local team. My impression is that the employees take sustainability issues seriously and that the operations in France are well-managed as concerns environmental issues as well as health and safety."

Helena Larson
Swedbank Robur

Employees

"I was delighted to begin my professional life as an intern at Lundin France, a company that conducts its activities with a high level of professionalism and in a family atmosphere. I decided to join Lundin Norway to expand my professional horizons. Although the organisation is much larger than in France, I was happy to find the same family spirit. I truly believe this is the case wherever Lundin Petroleum operates in the world."

Ophélie Durand
Geologist at Lundin Norway

Host Governments

"I highly appreciate Lundin Norway's positive contribution to our local community. As the host municipality for Lundin Norway, we value its contribution and positive efforts towards our younger students, teachers and others who always like to learn more about the oil and gas industry. They share knowledge and competence in a way we all can learn from. As an employer, they are highly professional."

Mayor Lisbeth Hammer Krog
Bærum Municipality, Norway

Equity Research

"A sustainability leader among mid-sized peers – Lundin Petroleum is a leader among its mid-sized peers in terms of reporting on and reducing its environmental impact, with its focus on synergies between economic and environmental sustainability. Lundin Petroleum is in the top tier of oil companies indexed by the Carbon Disclosure Project (CDP) for transparency and performance in reducing greenhouse gas emissions. Corporate sustainability is well integrated within the organisation."

Anne Gjøen
Head of Equity Research and Energy, Handelsbanken

International Initiatives

"CDP Nordic office is pleased that Lundin Petroleum continues to commit to improving their disclosure on climate change in response to the growing call from investors for greater corporate climate accountability".

Amanda Haworth
CDP Nordic

Environmental, Social and Governance Rating Agencies

MSCI ranked Lundin Petroleum AA in its 2013 Intangible Value Assessment for its Environmental, Social & Governance (ESG) performance.

Sustainable Indices

STOXX included Lundin Petroleum for the third consecutive year in its STOXX® Global ESG Leaders Indices.

Corporate Governance Assessments

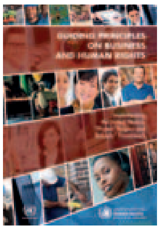
ISS attributed to Lundin Petroleum a Governance Risk score of 2 on a scale of 1 to 10, 1 indicating a low governance risk.

International Commitments

The United Nations Global Compact

The UN Global Compact is an initiative of the United Nations (UN) to encourage businesses and other actors in society to adopt sustainable and socially responsible practices by endorsing and reporting on the implementation of Ten Principles covering Human Rights, Labour Standards, Environment and Anti-Corruption. Lundin Petroleum formally became a member of the Global Compact in 2010 and has worked progressively to implement the Principles in its daily operations. In 2013 Lundin Petroleum focused on further embedding the UN Global Compact Principles in its operational sites. The Company submitted its third Communication on Progress, made a financial contribution to the UN Global Compact Foundation to support its work in promoting the Ten Principles and participated in the Global Leaders Forum in New York to engage and share ideas with business and civil society leaders committed to implementing the Principles.

Human Rights



Lundin Petroleum's Board of Directors strengthened the Company's commitment towards human rights by formally endorsing the UN Guiding Principles on Business and Human Rights and by adopting a Human Rights Policy in 2012. In 2013 the Company focused on further embedding the Human Rights Policy through the adoption of Human Rights Guidelines. Employees in France, Indonesia, Malaysia, Norway and Switzerland were trained on the Company's Human Rights Policy & Guidelines. Lundin Petroleum participated in the second annual Forum on Business and Human Rights at the UN in Geneva in order to learn about the challenges of implementing the Guiding Principles, to exchange views and opinions on current best practices and to engage with human rights experts and stakeholders.

Anti-Corruption

Lundin Petroleum adopted its Anti-Corruption Policy and Guidelines in 2011. In 2013 it became a supporting company of the Extractive Industries Transparency Initiative (EITI), a voluntary initiative aimed at promoting anti-corruption and transparency through revenue disclosure. Lundin Petroleum actively promotes anti-corruption within the Group and in the public domain, at conferences, with business partners, as well as engages with peers on the issue of the global fight against corruption. Furthermore, the Company is involved in an ongoing dialogue with the EITI Secretariat in Oslo; participated in the EITI Global Forum held in Sydney and attended the EITI Board meeting as observer. No cases of corruption were reported in 2013 throughout the Group under the Anti-Corruption Guidelines or the Whistleblowing Procedure.

Environment

Lundin Petroleum continues to promote environmental protection and awareness throughout its operations. The local operations assess potential effects of projects through baseline and environmental impact studies and contingency plans, and also support or take part in initiatives promoting environmental stewardship. Climate Change is an important issue for Lundin Petroleum; for the fifth consecutive year the Company has disclosed its climate change strategy and greenhouse gas emissions to the Carbon Disclosure Project (CDP). In 2013, it was ranked third among Nordic energy companies. The Company also adopted a new Climate Change Statement – emphasising its commitment to seek energy efficiency measures to reduce its carbon footprint – and became a CDP supporting company.

Labour Standards

Lundin Petroleum has committed in its Code of Conduct to respect and protect employees' rights, including freedom of association and the right to collective bargaining. It ensures equal opportunity without discrimination on the basis of age, culture, disability, gender, race, religion, etc. by selecting candidates based on their competence and qualifications to perform the job. Every country of operations has a formal induction process in order to familiarise new employees with their rights and responsibilities and with Lundin Petroleum's Code of Conduct and Corporate Responsibility Policies. In 2013 the Vice President Corporate Responsibility held individual discussions on International Labour Organisation Standards with Human Resource Managers throughout the Group in order to ensure that these procedures are fully integrated in practice. A CR handbook containing all the CR policies and guidelines was made available to staff worldwide. Robust processes for contractor selection and evaluation ensure that there is no child or other forms of forced labour in relation to Lundin Petroleum's worldwide operations.

Sustainable Investments

Lundin Petroleum funds a number of sustainable projects, primarily in its core areas of operations

In 2006, Lundin Petroleum established a Sustainable Investment Programme to promote social, economic, and environmental projects and organisations as well as citizenship among its employees. Since then, the Company has funded a significant number of projects, primarily in its core areas of operations.

In 2013, Lundin Petroleum continued to fund some of its long standing projects, such as SOS Children's Villages. A selection of projects supported by Lundin Petroleum in 2013 can be seen on the maps on page 45.

Lundin Petroleum intends to pursue sustainable investments and community development projects associated with its operations. However, as the Company's operations grow, so does the need to engage on a larger scale and in more sustainable and long term projects whose impact can be measured over time. This will better fulfil the Company's commitment under the United Nations Global Compact to further the Millennium Development Goals. At the beginning of 2013, Lundin Petroleum entered into a partnership with the Lundin Foundation, an organisation with a strong track record in philanthropy and social investments and an excellent reputation among its peers, having been selected as one of ten organisations to act as advisors on the OECD Guidelines on Social Impact Investments.

Rare Project, Indonesia

The Lundin Foundation

Lundin Petroleum has entered into an agreement with the Lundin Foundation through which 0.1 percent of the prior year's revenues are contributed to the Foundation. Over the course of 2013, Lundin Petroleum contributed USD 1.3 million.

A minimum of 70 percent of contributed funds are dedicated to supporting projects in designated areas where Lundin Petroleum has exploration, development, or production assets. During the initial year of partnership, there has been a geographic focus on South East Asia and a sector focus on biodiversity conservation, sustainable fisheries and renewable energy.

Looking ahead to 2014, the Lundin Foundation is exploring additional partnerships in off-grid renewable energy and biodiversity conservation in Indonesia.

2013 Initiatives

Biodiversity Conservation – TRACC-Borneo (Sabah, Malaysia)

The Coral Triangle region, named for its staggering number of corals (nearly 600 different species of reef-building corals alone), nurtures six of the world's seven marine turtle species and more than 2,000 species of reef fish. Over 120 million people live in the Coral Triangle and rely on its coral reefs for food, income and protection from storms. Current levels and methods of harvesting fish are not sustainable and place this important marine area and its people in jeopardy. A changing climate threatens coastal communities and imperils fragile reefs. The challenge ahead is to develop sustainable solutions for the Coral Triangle's inhabitants and protect one of the most diverse marine habitats on Earth at the same time.

In 2013, the Lundin Foundation entered into a partnership with TRACC-Borneo to expand coral planting and regenerate damaged reefs on which both fisheries and tourism depend in the Semporna District of Malaysia. Revenues from a seaweed and sea cucumber farm to be owned and operated by TRACC will ensure a revenue stream to support ongoing restoration activities.

Sustainable Fisheries – Rare (Indonesia)

The world's coastal fisheries are under enormous pressure. One billion people around the world rely on fish for protein, yet more than 80 percent of fish stocks are overexploited and declining. Developing tropical nations, including those in the Coral Triangle, suffer the most severe human and environmental costs. Half of the world's catch is from coastal fisheries, where poorly-managed fishing and competition for scarce marine resources accelerate this deterioration. For island countries in the developing world, where fish is often the primary source of protein, poorly managed fisheries translate into lost fish catch equivalent to that which would provide 130 to 300 million people with their minimum required daily protein.

Indonesia lies at the heart of the Coral Triangle, which is a center of tropical marine biodiversity, containing more than half of the world's coral reefs, 75 percent of known coral species, more than 3,000 species of fish and the largest area of mangrove forests. The estimated annual economic value of this rich ecological diversity is USD 2.3 billion. The persistent decline in fisheries due to overfishing and the related deteriorating health of natural infrastructures such as coral reefs and mangroves pose a material threat to Indonesia's economy, food security and livelihoods.

In 2013, the Lundin Foundation entered into a multi-year partnership with Rare, to support three innovative pilot projects in conservation and fisheries-management reform in near-shore marine ecosystems. These pilots are designed to ensure profitable and sustainable fisheries while boosting livelihoods, protecting habitats, and enhancing coastal resilience to climate change.

Access to Energy – Penampang Renewable Energy (Sabah, Malaysia)

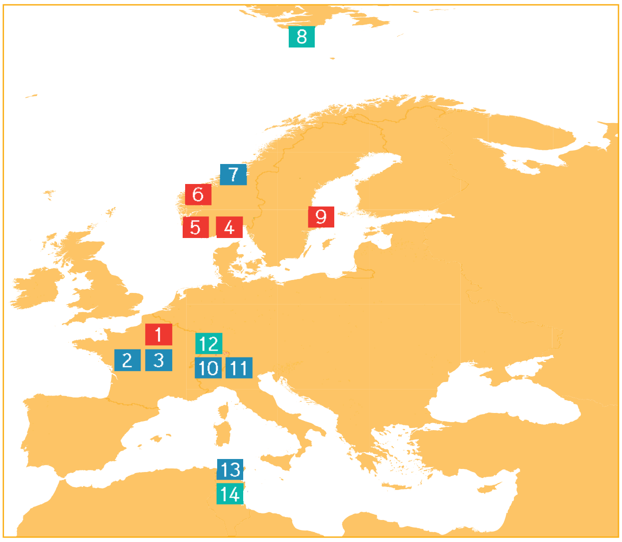
The ancestral forests of Malaysia's indigenous people (the Orang Asal), though heavily degraded, are still among the richest in biological and cultural diversity. Malaysia's indigenous people maintain custodianship over critical forested watersheds, banks of carbon, clean water, and biodiversity. Yet these forest ecosystems, and the subsistence communities who dwell there, are among Malaysia's most vulnerable. Over 20 percent of Sabah's population still lacks access to electricity.

Penampang Renewable Energy (PRE) leads a group of organisations and local businesses in Sabah, Borneo that have demonstrated decentralised, self-sustaining models for rural electrification that empower communities rather than foster dependency.

In 2013, the Lundin Foundation entered into a partnership with PRE to design and install three micro-hydro systems in rural, off-grid communities and to recruit and train technicians from these communities in system maintenance.

Impact Reporting Investment Standards

In 2011, the Lundin Foundation adopted Impact Reporting Investment Standards (IRIS). IRIS is the catalog of generally accepted performance metrics used by leading foundations to measure and report the social, environmental, and financial impacts of supported initiatives. Through ongoing field monitoring and evaluation, the Foundation will report annually on key performance indicators across its full portfolio of initiatives in South East Asia.



Capacity Building
Environmental Protection
Social Welfare

Capacity Building
Environmental Protection
Social Welfare
Lundin Foundation Project

France

1 Lundin France provides internships to students of the French Petroleum Institute (IFP) and supports its yearly study trip.

2 Donation of medical equipment to a hospital in Sénégal through the Association CASE Sézanne-Podor.

3 Participation in the charity Téléthon day in Montmirail organised by the Association Montmirail.

Norway

4 Sponsor of the Astrup Fearnley Museum of Modern Art, a leader in contemporary art.

5 Lundin Norway sponsors the Norwegian Museum of Science and Technology in Oslo.

6 Sponsor of the Norwegian College of Elite Sport which fosters competitive sports athletes on the international level, whilst at the same time caring for their formal education.

7 Continued sponsorship of Save the Children Norway.

8 Partner of the Carbon Capture and Storage project of University Centre in Svalbard.

Sweden

9 Lundin Petroleum sponsors the Good to Great Tennis Academy in Sweden which coaches young tennis players to become world class players.

Switzerland

10 Employees' personal contributions to the Swiss Cross for the victims of Typhoon Haiyan were matched by the Company.

11 The Company made a financial contribution to two charities in recognition of staff's participation in two charity races Courir pour Aider and Courir Ensemble.

12 Staff committed to commute by bicycle during a month to promote environmental friendly commuting, Bike to Work.

Tunisia

13 Contribution to running costs of one house in Gammarth Village, SOS Children's Villages. Donation of computer equipment to Siliana Village, SOS Children's Villages.

14 Lundin Petroleum supported the restoration of the Belvédère Park and contributed to awareness raising events for children, Association des Amis du Belvédère.

Malaysia

15 Lundin Malaysia employees raised funds for Disabled Children's Care Association as part of a trek up Mount Kinabulu.

16 Lundin Malaysia is supporting a project by the Malaysian Nature Society to stop the decline of bird life caused by feral cats on the Mantanani Islands, Sabah, a breeding and nesting site of native sea birds by trapping feral cats and relocating them to the mainland.

17 TRACC-Borneo, Sabah – biodiversity conservation, see page 44

18 Penampang Renewable Energy, Sabah – access to energy, see page 44

Indonesia

19 Lundin Petroleum granted scholarships for the academic year 2013 to two students of the Bandung Institute of Technology from the geology programme and one student from the petroleum engineering programme.

20 The Company continued its support of the Cibubur Village, Jakarta by sponsoring the construction of a house for retired mothers, SOS Children's Villages.

21 Lundin Indonesia's employees and their families volunteered for the Jakarta Clean Up Day to pick up waste in Jakarta's main street as a commitment to a clean environment.

22 Funding of the Banana Flour Project in Subang, West Java, to increase cooperative revenue and create sustainable activities, IBEKA.

23 Donation of medical equipment to the public health care centres in Natuna and Anambas Islands regencies to match needs of the community.

24 Rare – sustainable fisheries, see page 44

“

Lundin Petroleum today has a strong and diverse Board which provides valuable insight into all aspects of the business, from financial and operational issues to geopolitical considerations, and of course, HSE and CR matters

Ian H. Lundin
Chairman of the Board

Corporate Governance

Introduction – Words from the Chairman

As Chairman of the Board of Directors of Lundin Petroleum, one of my primary duties is to ensure that the Board performs its functions and provides guidance to and oversees the work of Group management. For that to happen, it is obviously important that each Board member has sufficient competency and a strong interest in the future development of the Company. I am pleased that at the 2013 AGM, two new Board members were elected, Peggy Bruzelius and Cecilia Vieweg, based on the recommendations of the Nomination Committee. Peggy and Cecilia are both excellent additions to the Board. They not only bring skills and experience which complement the existing Board extremely well, but they also have a deep knowledge and understanding of corporate governance matters. As a result, Lundin Petroleum today has a strong and diverse Board which provides valuable insight into all aspects of the business, from financial and operational issues to geopolitical considerations, and of course, HSE and CR matters. I am also pleased to see that the interaction between the Board and Group management is very effective, including in connection with the ongoing work of the Reserves Committee, the Compensation Committee and the Audit Committee. In addition, the Board has an excellent HSE/CR Board Representative, Asbjørn Larsen, who has a very good understanding of the applicable rules and regulations and actively supports Group management.

It has been an interesting and exciting experience to serve as Chairman of Lundin Petroleum since 2002 and I would like to take this opportunity to thank the other Board members for their input and participation. I would also like to thank Group management for their excellent work during the year, as well as for the significant work that has gone into the preparation of each Board meeting. Finally, I would like to thank our shareholders for your trust and continued support.

Ian H. Lundin
Chairman of the Board

Corporate Governance Report

This Corporate Governance Report has been prepared in accordance with the Swedish Companies Act (SFS 2005:551), the Annual Accounts Act (SFS 1995:1554) and the Code of Corporate Governance (Code of Governance) and has been subject to a review by the Company’s statutory auditor.

Guiding Principles of Corporate Governance

Since its creation in 2001, Lundin Petroleum has been guided by general principles of corporate governance to:

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

Lundin Petroleum adheres to principles of corporate governance found in both internal and external rules and regulations. As a Swedish public limited company listed on the NASDAQ OMX Stockholm, Lundin Petroleum is subject to the Swedish Companies Act and the Annual Accounts Act, as well as the Rule Book for Issuers of the NASDAQ OMX Stockholm, which can be found on www.nasdaqomx.com. Lundin Petroleum is also listed on the Toronto Stock Exchange and is as a result subject to Canadian securities regulations as well, including the Toronto Stock Exchange Rule Book available on www.tmx.com.

In addition, the Company abides by principles of corporate governance found in a number of internal and external documents.

Swedish Code of Corporate Governance

The Code of Governance is based on the tradition of self-regulation and acts as a complement to the corporate governance rules contained in the Swedish Companies Act, the Annual Accounts Act and other regulations such as the Rule Book for Issuers and good practice on the securities market. The Code of Governance can be found on www.bolagsstyrning.se.

The Code of Governance is based on the "comply or explain principle", which entails that a company may choose to apply another solution than the one provided by the Code of Governance if it finds an alternative solution more appropriate in a particular case. The company must however explain why it did not comply with the rule in question and describe the company's preferred solution, as well as the reasons for it. Lundin Petroleum complied with all the rules of the Code of Governance in 2013, other than in one instance as mentioned in the schedule on page 50 regarding the composition of the Nomination Committee. Furthermore, there were no infringements of applicable stock exchange rules during the year, nor any breaches of good practice on the securities market.

Lundin Petroleum's Articles of Association

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

Main external rules and regulations for corporate governance at Lundin Petroleum

- Swedish Companies Act
- Swedish Annual Accounts Act
- The NASDAQ OMX Stockholm Rule Book for Issuers
- The Toronto Stock Exchange Rule Book
- Swedish Code of Corporate Governance

Main internal rules and regulations for corporate governance at Lundin Petroleum

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

Lundin Petroleum's Code of Conduct

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

Lundin Petroleum's Policies, Guidelines and Procedures and Management System

While the Code of Conduct provides Lundin Petroleum's ethical framework, dedicated policies, guidelines and procedures have been developed to outline specific rules and controls applicable in the different business areas. The Company has policies, guidelines and procedures covering for example Operations, Accounting and Finance, Health, Safety and Environment (HSE), Community Relations, Anti-Corruption, Human Rights, Stakeholder Engagement, Legal, Information Systems, Human Resources (HR) and Corporate Communications. The policies, guidelines and procedures are reviewed on a continuous basis and are modified and updated as and when required. Some of these documents can be found on www.lundin-petroleum.com, whereas others are only available internally.

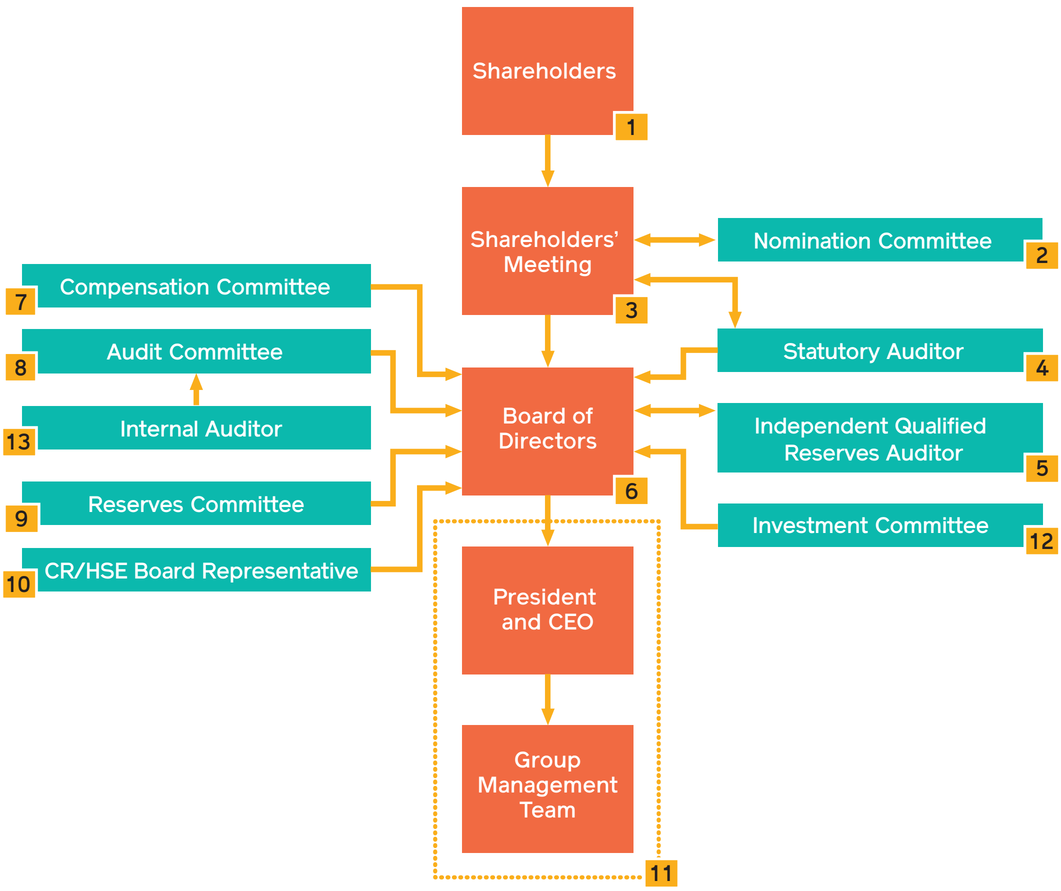
In addition, Lundin Petroleum has a dedicated HSE Management System (Green Book), modelled after the ISO 14001 standard, which gives guidance to management, employees and contractors regarding the Company's intentions and expectations in HSE matters. The Green Book serves to ensure that all operations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

Lundin Petroleum's Rules of Procedure of the Board

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

Lundin Petroleum – Governance Structure

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



Share Capital and Shareholders 1

The shares of Lundin Petroleum are listed on the Large Cap list of the NASDAQ OMX Stockholm and on the Toronto Stock Exchange. At the end of 2013, the issued share capital of Lundin Petroleum amounted to SEK 3,179,106 divided into 317,910,580 shares with a quota value of SEK 0.01 each. All shares carry the same voting rights and the same rights to a share of the Company's assets and net result.

Lundin Petroleum had at the end of 2013 a total of 45,148 shareholders listed with Euroclear Sweden, which represents an increase of 1,194 shareholders compared to 2012, i.e. an increase of approximately 3 percent. As at 31 December 2013, the major shareholders of the Company, which held more than ten percent of the shares and votes, were Lorito Holdings (Guernsey) Ltd. and Zebra Holdings and Investment (Guernsey) Ltd., two investment companies wholly owned by Lundin family trusts, which together held 27.4 percent of the shares. In addition, Landor Participations Inc., an investment company wholly owned by a trust whose settler is Ian H. Lundin, held 3.6 percent of the shares.

As in previous years, the Annual General Meeting (AGM) held on 8 May 2013 authorised the Board to repurchase and sell its own shares as an instrument to optimise the Company's capital structure and to secure the Company's obligations under its incentive plans. Based on the authorisation, Lundin Petroleum purchased 971,965 of its own shares during 2013 and as a result, held 8,340,250 of its own shares as at 31 December 2013, representing 2.6 percent of the issued share capital. The average purchase price for these shares is SEK 61.63. Further information regarding the shares and shareholders of Lundin Petroleum in 2013, as well as the Company's dividend policy, can be found on pages 68–69.

Nomination Committee 2

The shareholders of the Company decide at each AGM how the Nomination Committee is to be formed. The tasks of the Nomination Committee include making recommendations to the AGM regarding the election of the Chairman of the AGM, election of Board members and the Chairman of the Board, remuneration of the Chairman and other Board members, including remuneration for Board Committee work, election of the statutory auditor, remuneration of the statutory auditor and the Nomination Committee Process for the AGM of the following year. The Nomination Committee members are, regardless of how they are appointed, required to promote the interests of all shareholders of the Company.

Nomination Committee for the 2014 AGM						
Member	Appointed by	Meeting attendance	Shares represented as at 1 August 2013	Shares represented as at 31 December 2013	Independent of the Company and the Group management	Independent of the Company's major shareholders
Åsa Nisell	Swedbank Robur fonder	3/3	2.5 percent	2.5 percent	Yes	Yes
Arne Lööw	Fjärde AP-fonden	3/3	1.1 percent	1.0 percent	Yes	Yes
André Vatsgar	Danske Capital AB	3/3	1.0 percent	1.3 percent	Yes	Yes
Ian H. Lundin	Lorito Holdings (Guernsey) Ltd., Zebra Holdings and Investment (Guernsey) Ltd. and Landor Participations Inc., also non-executive Chairman of the Board of Lundin Petroleum	3/3	31.0 percent	31.0 percent	Yes	No[1]
Magnus Unger	Non-executive Board member of Lundin Petroleum who acts as the Chairman of the Nomination Committee	3/3	–	–	Yes	Yes
			Total 35.6 percent	Total 35.8 percent		

Summary of the Nomination Committee's work during their mandate

- Consideration of a report regarding the Board's work, as well as the results of the evaluation of the Board's work.
- Assessment of the independence of the Board members under the rules of the Code of Governance.
- Consideration of the size and composition of the Board, including gender distribution, in view of the Company's current position and expected development and the Board members' qualifications and experience.
- Consideration of succession planning within the Board.
- Consideration of proposals for new Board members received by the Nomination Committee.
- Discussions regarding the reappointment of the current Board members and the Chairman of the Board at the 2014 AGM.
- Consideration of the recommendation received through the Company's Audit Committee regarding the election of statutory auditor at the 2014 AGM.
- Consideration of Board and statutory auditor remuneration issues.
- Discussions regarding the appointment of an external independent Chairman for the 2014 AGM and consideration of suitable candidates.
- Consideration of the Nomination Committee Process.
- Åsa Nisell, Arne Lööw and André Vatsgar met with two Board members, Peggy Bruzelius and Cecilia Vieweg, to discuss the work and functioning of the Board.

Other requirements

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

[1] For details, see schedule on pages 64–65

Nomination Committee for the 2014 AGM

In accordance with the Nomination Committee Process approved by the 2013 AGM, the Nomination Committee for the 2014 AGM consists of members appointed by four of the larger shareholders of the Company based on shareholdings as per 1 August 2013. The names of the members of the Nomination Committee were announced and posted on the Company's website on 6 November 2013, i.e. within the time frame of six months before the AGM as prescribed by the Code of Governance. The Company's Vice President Legal, Jeffrey Fountain, acts as the secretary of the Nomination Committee. The Nomination Committee has held three meetings during its mandate and informal contacts have taken place between such meetings. Further information regarding the Nomination Committee and its work is included in the schedule above and the full Nomination Committee report, including the final proposals to the 2014 AGM, are published on the Company's website together with the notice of the AGM.

Shareholders' Meetings 3

The Shareholders' Meeting is the highest decision-making body of Lundin Petroleum where the shareholders exercise their voting rights and influence the business of the Company. Shareholders may request that a specific issue be included in the agenda provided such request reaches the Board in due time. The AGM is to be held each year before the end of June at the seat of the Board in Stockholm. The notice of the AGM, which is to be given no more than six and no less than four weeks prior to the meeting, is to be announced in the Swedish Gazette (Post- och Inrikes Tidningar) and on the Company's website. The documentation for the AGM is provided on the Company's website in Swedish and in English at the latest three weeks, however usually four weeks, before the AGM.

At the AGM, the shareholders decide on a number of key issues regarding the governance of the Company, such as election of the members of the Board and the statutory auditor, the remuneration of the Board, management and the statutory auditor, including approval of the Policy on Remuneration, discharge of the Board members and the CEO from liability and the adoption of the annual accounts and appropriation of the Company's result. Extraordinary General Meetings are held as and when required for the operations of the Company.

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

2013 AGM

The 2013 AGM was held on 8 May 2013 at Grand Hôtel in Stockholm. The AGM was attended by 608 shareholders, personally or by proxy, representing 51.2 percent of the share capital. The Chairman of the Board, the majority of the Board members and the CEO were present, as well as the Company's auditor and all of the members of the Nomination Committee for the 2013 AGM. The members of the Nomination Committee for the 2013 AGM were Åsa Nisell (Swedbank Robur fonder), Ossian Ekdahl (Första AP-fonden), Arne Lööw (Fjärde AP-fonden), Ian H. Lundin (Lorito Holdings (Guernsey) Ltd., Zebra Holdings and Investment (Guernsey) Ltd. and Landor Participations Inc., as well as non-executive Chairman of the Board of Lundin Petroleum) and Magnus Unger (non-executive Board member of Lundin Petroleum and Chairman of the Nomination Committee). In order for all participants to be able to follow the AGM, all proceedings were simultaneously translated from Swedish to English and from English to Swedish and all AGM materials were provided both in Swedish and English.

The resolutions passed by the 2013 AGM include:

- Election of advokat Claes Zettermarck as Chairman of the AGM.
- Re-election of C. Ashley Heppenstall, Asbjørn Larsen, Ian H. Lundin, Lukas H. Lundin, William A. Rand and Magnus Unger as Board members and election of Peggy Bruzelius and Cecilia Vieweg as new Board members. Kristin Færøvik declined re-election.
- Re-election of Ian H. Lundin as Chairman of the Board.
- Discharge of the Board and the CEO from liability for the administration of the Company's business for 2012.
- Adoption of the Company's income statement and balance sheet and the consolidated income statement and balance sheet and deciding that no dividend was to be declared for 2012.
- Re-election of the registered accounting firm PricewaterhouseCoopers AB as the Company's statutory auditor until the 2014 AGM, with authorised public accountant Klas Brand as the auditor in charge.
- Approval of the remuneration of the Board members and the statutory auditor.
- Approval of the Company's Policy on Remuneration for the Executive Management.
- Authorisation for the Board to issue new shares and/or convertible debentures corresponding to in total not more than 35 million new shares, with or without the application of the shareholders pre-emption rights.
- Authorisation for the Board to decide on repurchases and sales of the Company's own shares on the NASDAQ OMX Stockholm or the Toronto Stock Exchange, where the number of shares held in treasury from time to time shall not exceed five percent of all outstanding shares of the Company.
- Approval of the Nomination Committee Process for the 2014 AGM.
- Rejection of the Board's proposal to replace the 2009 LTIP for the Executive Management.
- Rejection of a shareholder proposal in relation to certain international guidelines on corporate responsibility.

An electronic system with voting devices was used for voting and the minutes of the 2013 AGM and all AGM materials, in Swedish and English, are available on www.lundin-petroleum.com, together with the CEO's address to the AGM.

2014 AGM

The 2014 AGM will be held on 15 May 2014 at 1 p.m. in Vinterträdgården at Grand Hôtel, Södra Blaiseholmshamnen 8, in Stockholm. Shareholders who wish to attend the meeting must be recorded in the share register maintained by Euroclear Sweden on 9 May 2014 and must notify the Company of their intention to attend the AGM no later than 9 May 2014. Further information about registration to the AGM, as well as voting by proxy, can be found in the notice of the AGM, available on www.lundin-petroleum.com.

External Auditors of the Company

Statutory Auditor 4

Lundin Petroleum's statutory auditor audits annually the Company's financial statements, the consolidated financial statements, the Board's and the CEO's administration of the Company's affairs and reports on the Corporate Governance Report. In addition, the auditor performs a review of the Company's half year report. The Board of Directors meets at least once a year with the auditor without any member of Group management present at the meeting. In addition, the auditor participates regularly in Audit Committee meetings, in particular in connection with the Company's half year and year end reports. At the 2013 AGM, the audit firm PricewaterhouseCoopers AB was elected as the auditor of the Company for a period of one year until the 2014 AGM. The auditor in charge is the authorised public accountant Klas Brand.

The auditor's fees are described in the notes to the financial statements – see Note 33 on page 115 and Note 10 on page 119. The auditor's fees also detail payments made for assignments outside the regular audit mandate. Such assignments are kept to a minimum to ensure the auditor's independence towards the Company.

Independent Qualified Reserves Auditor 5

Lundin Petroleum's independent qualified reserves auditor audits annually the Company's oil and gas reserves and certain contingent resources, i.e. the Company's core assets, although such assets are not included in the Company's balance sheet. The auditor is appointed by the Board, based on the recommendation of the Reserves Committee. The auditor meets at least once a year with the Company's Reserves Committee and Group management to discuss the reserves reporting and the audit process, and provides a yearly report on reserves data as required by applicable Canadian securities regulation. The current auditor is ERC-Equipoise Ltd. For further information regarding the Company's reserves and resources, please see the Reserves, Resources and Production section on pages 12–17.

Board of Directors 6

The Board of Directors of Lundin Petroleum is responsible for the organisation of the Company and management of the Company's operations. The Board of Directors is to manage the Company's affairs in the interests of the Company and all shareholders with the aim of creating long-term shareholder value.

Composition of the Board

The Board shall, according to the Articles of Association, consist of a minimum of three and a maximum of ten directors with a maximum of three deputies, and the AGM decides the final number each year. The Board members are elected for a term of one year and at the 2013 AGM, C. Ashley Heppenstall, also CEO of the Company, Asbjørn Larsen, Ian H. Lundin, also Chairman of the Board, Lukas H. Lundin, William A. Rand and Magnus Unger were re-elected as Board members, and Peggy Bruzelius and Cecilia Vieweg were elected as new Board members. Kristin Færøvik declined re-election. There are no deputy members and no members appointed by employee organisations. The Board members, with the exception of the CEO, are not employed by the Company, do not receive any salary from the Company and are not eligible for participation in the Company's incentive programmes. In addition, the Board is supported by a corporate secretary who is not a Board member. The appointed corporate secretary is Jeffrey Fountain, the Company's Vice President Legal.

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

The principal tasks of the Board of Directors include:

- establishing the overall operational goals and strategy of the Company;
- making decisions regarding the supply of capital;
- appointing, evaluating and, if necessary, dismissing the CEO;
- ensuring that there is an effective system for follow-up and control of the Company's operations;
- ensuring that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations;
- defining necessary guidelines to govern the Company's ethical conduct;
- ensuring that the Company's external communications are characterised by openness, and that they are accurate, reliable and relevant;
- ensuring that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general include satisfactory systems of internal control; and
- continuously evaluating the Company's and the Group's economic situation.

The Board's work follows a yearly cycle to ensure the Board duly addresses all areas of responsibility and that adequate focus is placed on strategic and important issues for the benefit of the Company's shareholders. Generally, issues are discussed and addressed at the ordinary meetings as follows.

- Adoption of the budget and work programme.
- Consideration of the Board self-evaluation to be submitted to the Nomination Committee.
- Audit Committee report regarding the third quarter report.
- Performance assessment of the CEO.
- Consideration of Compensation Committee remuneration proposals.

- Approval of the year end report.
- Approval of the year end reserves report.
- Approval of the remuneration report.
- Approval of remuneration proposals regarding variable remuneration.

- Approval of the Annual Report.
- Review of the auditor's report.
- Approval of the Policy on Remuneration for submission to the AGM.
- Determination of the AGM details and approval of the AGM materials.

- Audit Committee report regarding the first quarter report.
- Annual CR/HSE management report.
- Annual assessment of the Code of Conduct.
- Meeting with the auditor without management present.

- Statutory meeting following the AGM.

- Executive session with Group management.
- Detailed discussion of strategy issues.
- In-depth analysis of one or more of the Company's business areas.
- Review of the Rules of Procedure.

- Adoption of the half year report, reviewed by the statutory auditor.

All Board members elected at the 2013 AGM have extensive experience from the world of business and several members are also highly experienced within the oil and gas field. The Nomination Committee for the 2013 AGM considered, taking into account the business operations of Lundin Petroleum and its current phase of development, that the Board is composed of multi-faceted individuals who are well-suited for the job and whose expertise, experience and background is extensive. Further, in preparation of the elections at the 2013 AGM, the Nomination Committee considered the independence of each proposed Board member and determined that the composition of the proposed Board met the independence requirements of the Code of Governance both in respect of independence towards the Company and the Group management and towards the Company's major shareholders. The independence of each Board member is presented in the schedule on pages 64–65.

Board Meetings and Work

The Board is guided by the Rules of Procedure, which set out how the Board is to conduct its work. In addition to the statutory meeting following the AGM, the Board normally holds at least six ordinary meetings per calendar year. At the meetings, the CEO reports on the status of the business, prospects and the financial situation of the Company. In addition, decision items and issues of material importance to the Company are considered by the Board and the Board Committees report on matters as and when required. The Board's yearly work cycle is illustrated in the above illustration.

Board Meetings in 2013

During 2013, eight board meetings took place, including the statutory meeting. Two of these meetings took place over a two day period to give the Board ample time to review and discuss the Company's business and activities. To develop the Board's knowledge of the Company and its operations, a yearly field trip is carried out to one of the Company's operational locations. In September 2013, the Board visited the Norwegian operations and an executive session, together with Group management, was held in connection with the Board meeting. At the executive session, in-depth operations reviews regarding the Group's exploration and development activities were given, with a particular focus on the Norwegian and South East Asian operations. In addition, a reserves and production update, a financial overview of the Group, the annual Corporate Responsibility (CR) and HSE report, an Investor Relations report and a Communications and Media presentation were given. Group management also attended a number of Board meetings during the year to present and report on specific questions, as and when required.

The Board is also responsible for evaluating the work of the CEO on a continuous basis and shall carry out, at least once a year, a formal performance review. In 2013, the Compensation Committee, on behalf of the Board, undertook a review of the work and performance of Group management, including the CEO, and presented the results of the review at a Board meeting, including proposals regarding the compensation of the CEO and other Group management. Neither the CEO nor other Group management were present at the Board meetings when such discussions took place.

Board of Directors

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

Peggy Bruzelius
Director since 2013
Member of the Audit Committee

C. Ashley Heppenstall
Director since 2001
President and Chief Executive Officer since 2002

Asbjørn Larsen
Director since 2008
Member of the Audit and Reserves Committees
CR/HSE Board Representative

Lukas H. Lundin
Director since 2001

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

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

Cecilia Vieweg
Director since 2013
Chairman of the Compensation Committee

More information on the board members can be found on pages 64–65 and on www.lundin-petroleum.com

Board of Directors

Board's work during the year

- Review and approval of the report for the financial year ended 31 December 2012.
- Discussions whether to recommend the 2013 AGM that a dividend distribution be made to the shareholders.
- Receiving regular management updates and presentations on the business and operations of the Company, including in respect of production performance and forecasts, development, appraisal and exploration activities and associated risks, oil and gas reserves and resources position, continuing unitisation discussions regarding the Johan Sverdrup field, projected growth in personnel, organisational strategy and structure, etc.
- Consideration of substantial projects and commitments including significant contract awards, drilling rig arrangements, the Bertam field development plan (PDO) submission, appointment of the independent reserves auditor, etc.
- Discussions regarding the Company's future exploration strategy and plans, seismic acquisition programmes, drilling schedules, and projected rig schedules and capacities.
- Consideration and approval of asset disposals and acquisitions.
- Consideration and approval of new licence applications.
- Consideration of site decommissioning and restoration issues.
- Consideration of the Company's future financing needs and strategy, including the Company's financial risk management.
- Receiving reports from the Company's Audit Committee, Compensation Committee and Reserves Committee and discussion of topics raised.
- Receiving a management overview of the Company's risk management policies and practices and subsequent discussions thereon.
- Discussions with the Company's auditor regarding the 2012 audit process, financial reporting, risk management, internal controls and compliance with the Company's 2012 Policy on Remuneration (without management present at the meeting).
- Review and approval of reserves statements required under Canadian securities regulation.
- Consideration of a shareholder proposal received for the 2013 AGM in relation to certain international guidelines on corporate responsibility and approval of a statement to recommend the shareholders to vote against such proposal.
- Review and approval of the materials and proposals for the 2013 AGM, including the Company's 2012 Annual Report, the proposed 2013 Policy on Remuneration and the Board's proposal to replace the 2009 LTIP for the Executive Management.
- Constitutional meeting of the Board, following the 2013 AGM, to confirm Board fees, Committee composition, signatory powers, appointment of the CR/HSE Board Representative and Corporate Secretary and adoption of the Rules of Procedure.
- Review and approval of the Company's six month report as per 30 June 2013, based on the recommendations of the Audit Committee.
- Implementation of the authorisation granted by the 2013 AGM to repurchase the Company's own shares.
- Consideration of shareholder, investor relations and public relations questions and activities, including stakeholder engagement and communication, analysis of the Company's shareholder base, the Company's stock exchange listings, the corporate image, etc.
- Consideration of the annual CR/HSE report and assessment of Code of Conduct compliance, including discussions regarding the Company's support for the UN Guiding Principles on Business and Human Rights, the UN Global Compact and the Extractive Industries Transparency Initiative.
- Review and approval of the Company's Stakeholder Engagement Policy.
- Consideration and approval of the Company's partnership with the Lundin Foundation.
- Consideration and approval of the Company's sponsorship of the Good to Great Tennis Academy in Sweden.
- Discussions regarding unfounded media allegations in relation to the Company's past operations in Sudan and the Swedish International Prosecution Office's investigation into alleged violations of international humanitarian law in Sudan during the years 1997–2003.
- Discussions regarding proposals for a new LTIP to be submitted to the 2014 AGM for approval, as presented by the Compensation Committee.
- Discussions regarding and approval of severance arrangements for the Company's former CFO, as per the recommendation of the Compensation Committee.
- Consideration of the results of the Board self-assessment and the Chairman's report thereon to the Nomination Committee.
- Review and approval of the 2014 budget and work programme.
- Review and approval of Group management remuneration for 2014, as per the proposals of the Compensation Committee (without management present at the meeting).
- In addition, the Board continuously received management reports regarding the ongoing operations, the Company's financial status and CR/HSE matters to enable the Board to duly monitor the Company's operations and financial position.

Evaluation of the Board's Work

A formal review of the work of the Board was conducted in November 2013 through a questionnaire submitted to all Board members, with the objective of ensuring that the Board functions in an efficient manner and, as applicable, to enable the Board to strengthen its focus on matters which may be raised. The topics considered included several aspects of the Board's structure, work, meetings and general issues such as support and information given to the Board.

Individual feedback from all Board members was received and the overall conclusions were very positive and showed that the structure and composition of the Board is appropriate and the Board members have relevant experience, including industry specific and financial experience, which enables the Board to function as an effective governing body. Board members also regularly attend Board meetings and participate actively. The Board Committees' duties and decision-making powers within the Board are clear, and the Committees report to the Board in an appropriate manner. The Board meetings are well planned and prepared, with high quality presentations, and enable the Board to effectively monitor the Company's activities and performance. Board meetings in connection with visits to the operational areas were considered very important to provide deeper knowledge and insight into the Company's operations and local conditions. Individual suggestions received included that additional meetings in person could be considered as the Company and its business grows and that succession planning issues should be further discussed within the Board. Also, it was recognised that more time was now allocated to strategic discussions based on comments received through last year's Board evaluation, however, given the importance of the issues, even more time could be allocated to discussing the Company's overall strategy and its implementation.

The results and conclusions of the review were presented to the Nomination Committee.

Remuneration of Board Members

The remuneration of the Chairman and other Board members follows the resolution adopted by the AGM. At the 2013 AGM, the Chairman was awarded an amount of SEK 1,000,000 and each other Board member, with the exception of the CEO, an amount of SEK 490,000. The AGM further decided to award SEK 100,000 for each ordinary Board Committee assignment and SEK 150,000 for each assignment as Committee Chairman, however, limited to a total of SEK 900,000 for Committee work. No remuneration is paid for any assignments in relation to the Reserves Committee. In addition, the 2013 AGM approved an amount of SEK 2,000,000 to be paid to Board members for special assignments outside the directorship.

The remuneration of the Board of Directors is detailed further in the schedule on pages 64–65 and in the notes to the financial statements – see Note 31 on pages 112–113.

Board Committees and the CR/HSE Representative

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

Compensation Committee 7

The Compensation Committee assists the Board in Group management remuneration matters and receives information and prepares the Board's and the AGM's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Group management. The objective of the Committee in determining compensation for Group management is to provide a compensation package that is based on market conditions, is competitive and takes into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the individual. The Committee's tasks also include monitoring and evaluating programmes for variable remuneration, the application of the Policy on Remuneration as well as the current remuneration structures and levels in the Company. For further information regarding Group remuneration matters, see the remuneration sections of this report on pages 58–61.

Audit Committee 8

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

Reserves Committee 9

The Reserves Committee reviews and reports to the Board on matters relating to the Company's policies and procedures for reporting oil and gas reserves and related information as per National Instrument 51–101 (NI 51–101) issued under applicable Canadian securities regulation. The Reserves Committee reports to the Board on the Company's procedures for disclosing oil and gas reserves and other related information, on the appointment of the independent qualified reserves auditor and on the Company's procedures for providing information to the independent qualified reserves auditor. The Reserves Committee also meets with Group management and the independent qualified reserves auditor to review, and determine whether to recommend that the Board approve, the statement of reserves and other oil and gas information required to be submitted annually under NI 51–101.

CR/HSE Board Representative 10

The Board of Directors has a leadership and supervisory role in all CR and HSE matters within the Group and appoints yearly one non-executive Director to act as the CR/HSE Board Representative. The tasks of the CR/HSE Board Representative include to liaise with Group management regarding CR and HSE related matters and to regularly report on such matters to the Board of Directors. The current CR/HSE Board Representative is Asbjørn Larsen. More information about the Company's CR/HSE activities can be found in the Corporate Responsibility section on pages 36–45.

Audit Committee 2013

Members	Meeting attendance	Audit Committee work during the year	Other requirements
William A. Rand, Chairman Magnus Unger Asbjørn Larsen Peggy Bruzelius	6/6 3/3[1] 6/6 2/3[1]	– Assessment of the 2012 year end report and the 2013 half year report for completeness and accuracy and recommendation for approval to the Board. – Assessment and approval of the first and third quarter reports 2013 on behalf of the Board. – Evaluation of accounting issues in relation to the assessment of the financial reports. – Follow-up and evaluation of the results of the internal audit and risk management of the Group. – Three meetings with the statutory auditor to discuss the financial reporting, internal controls, risk management etc. – Evaluation of the audit performance and the independence and impartiality of the statutory auditor. – Review and approval of statutory auditor's fees. – Assisting the Nomination Committee in its work to propose a statutory auditor for election at the 2014 AGM.	– The composition of the Audit Committee fulfils the independence requirements of the Swedish Companies Act and the Code of Governance. – All Audit Committee members have extensive experience in financial, accounting and audit matters. William A. Rand has chaired the Audit Committee since its inception in 2002, Asbjørn Larsen's previous assignments include the position of CFO and CEO of a Norwegian listed upstream petroleum company and Peggy Bruzelius' current and previous assignments include high level management positions in financial institutions and companies and she has chaired the Audit Committees of other companies.

Compensation Committee 2013

Members	Meeting attendance	Compensation Committee work during the year	Other requirements
Cecilia Vieweg, Chairman Magnus Unger William A. Rand Kristin Færøvik	2/3[2] 3/3 3/3[2] 0/0[3]	– Review of the performance of the CEO, the other members of Executive Management and other Group management as per the Performance Management Process. – Preparing a report regarding the Board's evaluation of remuneration of the Executive Management in 2012. – Continuous monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration. – Preparing a proposal for the 2013 Policy on Remuneration for Board and AGM approval. – Preparing a proposal for remuneration and other terms of employment for the CEO for Board approval. – Review of the CEO's proposals for remuneration and other terms of employment of the other members of Executive Management and VP level employees for Board approval. – Review and approval of the CEO's proposals for the principles of compensation of other Group management and employees. – Review and approval of the CEO's proposals for 2013 LTIP awards. – Consideration of severance arrangements for Board approval. – Undertaking a remuneration benchmark study and engaging the HayGroup to assist with the study. – Undertaking through the HayGroup a complete review and study of LTIP practices in the market place to prepare a new LTIP proposal for approval by the Board and the 2014 AGM.	– The composition of the Compensation Committee fulfils the independence requirements of the Code of Governance. – Cecilia Vieweg has previously held positions in listed companies' Compensation Committees and, considering the varied backgrounds and experience of the Committee members in general, including the position of William A. Rand as Chairman of the Committee for more than 10 years, the Compensation Committee has ample knowledge and experience of management remuneration issues.

Reserves Committee 2013

Members	Meeting attendance	Reserves Committee work during the year	Other requirements
Ian H. Lundin, Chairman Asbjørn Larsen	1/1 1/1	– General review of the Company's oil and gas reserves procedures and practices. – Review of the Company's procedures for assembling and reporting other information associated with oil and gas activities. – Meeting with management and ERC-Equipoise Ltd., the independent qualified reserves auditor, to discuss the 2012 reserves reporting. – Review of reserves data.	– The composition of the Reserves Committee fulfilled the independence requirements of Canadian securities regulation as per NI 51–101.

[1] Magnus Unger was a member of the Audit Committee until 8 May 2013 and Peggy Bruzelius has been a member of the Audit Committee as of 8 May 2013.
[2] William A. Rand was the Chairman of the Compensation Committee until 8 May 2013 and Cecilia Vieweg is a member and the Chairman of the Compensation Committee as of 8 May 2013.
[3] Kristin Færøvik declined re-election at the AGM on 8 May 2013. During the period of 1 January 2013 to 8 May 2013, there were no Compensation Committee meetings.

Management 11

Management structure

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

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

- The Investment Committee, which in addition to the CEO includes
  - the Chief Operating Officer (COO), Alexandre Schneiter, who is responsible for Lundin Petroleum's worldwide exploration and production operations, as well as HR;
  - the Chief Financial Officer (CFO), Mike Nicholson, who is responsible for the financial reporting, internal audit, risk management, tax, treasury function and economics; and
  - the Senior Vice President Development (SVP Development), Chris Bruijnzeels, who is responsible for operations, reserves and the optimum development of Lundin Petroleum's asset portfolio, as well as IT.
- The Vice President Corporate Responsibility, Christine Batruch, who is responsible for the Group's CR and HSE strategy, the Vice President Legal, Jeffrey Fountain, who is responsible for all legal matters within the Group and the Vice President Corporate Planning and Investor Relations, Teitur Poulsen, who is responsible for Group investor relations as well as all matters relating to the corporate planning and development of Lundin Petroleum.
- The General Managers/Managing Directors who are responsible for the day-to-day activities of the local operational entities.

A management change occurred as per 31 December 2013 as the Company's former CFO, Geoffrey Turbott, decided to step down as CFO following ten years in this position. Mike Nicholson, who has worked for the Company since 2005 through various roles and most recently as Managing Director in South East Asia, was appointed as the new CFO as of 1 January 2014. Mike Nicholson was replaced by Paul Atkinson in South East Asia, who has held various senior managerial positions since 2001 in multinational oil and gas companies, including in Lundin Petroleum's predecessor companies.

Group management tasks and duties

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

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

Investment Committee 12

The Company's Investment Committee, which consists of CEO, CFO, COO and SVP Development, was established by the Board in 2009 to assist the Board in discharging its responsibilities in overseeing the Company's investment portfolio. The role of the Investment Committee is to determine that the Company has a clearly articulated investment policy, to develop, review and recommend to the Board investment strategies and guidelines in line with the Company's overall policy, to review and approve investment transactions and to monitor compliance with investment strategies and guidelines. The responsibilities and duties include considering annual budgets, supplementary budget approvals, investment proposals, commitments, relinquishment of licences, disposal of assets and performing other investment related functions as the Board may designate. The Investment Committee has regularly scheduled meetings and meets more frequently if required by the operations.

Remuneration

Group Principles of Remuneration

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

Management

C. Ashley Heppenstall
President and Chief Executive Officer, Director

Christine Batruch
Vice President Corporate Responsibility

Alexandre Schneiter
Executive Vice President and Chief Operating Officer

Jeffrey Fountain
Vice President Legal

Mike Nicholson
Chief Financial Officer

Teitur Poulsen
Vice President Corporate Planning and Investor Relations

Chris Bruijnzeels
Senior Vice President Development

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

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

To ensure compensation packages within the Group remain competitive and in line with market conditions, the Compensation Committee undertakes yearly benchmarking studies. For each study, a peer group of European oil and gas companies of similar size and operational reach is selected, against which the Group's remuneration practices are measured. The levels of base salary, yearly variable salary and long term incentives are set at the median level, however, in the event of exceptional performance, deviations may be authorised.

As the Group continuously competes with the peer group to retain and attract the very best talent in the market, both at operational and executive level, the Group's compensation packages are determined primarily by reference to the remuneration practices within this peer group.

In addition, the Compensation Committee may request other advice and assistance of external reward consultants, which it did in 2013 through the HayGroup.

Policy on Remuneration

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

The tasks of the Compensation Committee also include monitoring and evaluating the application of the Policy on Remuneration approved at the AGM and, to fulfil this task, the Compensation Committee prepares a yearly report, for approval by the Board on the evaluation of remuneration of the Executive Management. The statutory auditor of the Company further verifies on a yearly basis whether the Company has complied with the Policy on Remuneration. Both reports are available on the Company's website and the Policy on Remuneration approved by the 2013 AGM is included in this Corporate Governance Report.

In 2013, the Board agreed on a deviation from the Policy on Remuneration and approved a severance arrangement for the Company's former CFO, Geoffrey Turbott. The Board considered that special circumstances in this specific case warranted such a deviation, as permitted by Chapter 8, section 53 of the Swedish Companies Act, in view of Geoffrey Turbott's substantial contribution to the Company and its predecessor companies over the past 18 years. Further details regarding the remuneration of Executive Management in 2013, including the agreed severance arrangement, can be found in the notes to the financial statements – see Notes 31–32 on pages 112–115.

For information regarding the Board's proposal for remuneration to the Executive Management to the 2014 AGM, please see the Directors' report, page 83.

POLICY ON REMUNERATION FOR THE EXECUTIVE MANAGEMENT AS APPROVED BY THE 2013 AGM

Application and Objectives of the Policy

In this Policy on Remuneration, the terms "Executive Management" or "Executives" refers to the President and Chief Executive Officer (CEO), the Executive Vice President and Chief Operating Officer, the Vice President Finance and Chief Financial Officer, and the Senior Vice President Operations (Senior Vice President Development as of 1 January 2014).

It is the aim of Lundin Petroleum to recruit, motivate and retain high calibre Executives capable of achieving the objectives of the Group, and to encourage and appropriately reward performance in a manner that enhances shareholder value. Accordingly, the Group operates this Policy on Remuneration to ensure that there is a clear link to business strategy and a close alignment with shareholder interests and current best practice, and aims to ensure that the Executive Management is rewarded fairly for its contribution to the Group's performance.

Compensation Committee

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

Elements of Remuneration

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

Basic Salary

The Executive's basic salary shall be based on market conditions, shall be competitive and shall take into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the Executive. The Executive's basic salary, as well as the other elements of the Executive's remuneration, shall be reviewed annually to ensure that such remuneration remains competitive and in line with market conditions. As part of this assessment process, the Company, as well as the Compensation Committee, periodically undertakes benchmarking comparisons in respect of its remuneration policy and practices.

The advice and assistance of specialised consultants may be requested in connection with these comparisons and the Compensation Committee shall ensure that there is no conflict of interest regarding other assignments such consultants may have for the Company and the Executive Management.

Yearly variable salary

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

The yearly variable salary shall, in the normal course of business, be based upon a predetermined limit, being within the range of 1–12 monthly salaries. However, the Compensation Committee may recommend to the Board of Directors for approval yearly variable salary outside of this range in circumstances or in respect of performance which the Compensation Committee considers to be exceptional.

Long-term Incentive Plan

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

As per the Swedish Code of Governance, the Company's Annual General Meeting shall decide on all share and share-price related incentive schemes for Executive Management. Information on the principal conditions of proposed LTIPs for Executive Management (if any) is available, as part of the documentation for the Annual General Meeting, on www.lundin-petroleum.com.

Other Benefits

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

Severance Arrangements

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

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

Authorisation for the Board

The Board of Directors is authorised to deviate from the Policy on Remuneration in accordance with Chapter 8, section 53 of the Swedish Companies Act in case of special circumstances in a specific case.

Outstanding Remunerations

Information regarding previously approved remunerations to Executive Management, which remain outstanding (if any), is available in the Company's Annual Report and on www.lundin-petroleum.com.

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

Internal Control and Risk Management for the Financial Reporting

Introduction

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

Internal control system for financial reporting

Lundin Petroleum's objective for financial reporting is to provide reliable and relevant information for internal and external purposes, in compliance with existing laws and regulations, in a timely and accurate manner. An internal control system for financial reporting has been created to ensure that this objective will be met. An internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, and is designed to manage rather than eliminate the risk of failure to achieve the financial reporting objectives.

The Five Key Components

Lundin Petroleum's Financial Reporting Internal Control System consists of five key components, as described below and is based upon the Committee of Sponsoring Organisations of the Treadway Commission (COSO) model. The internal control of financial reporting is a continuous evaluation of the risks and control activities within the Group. The evaluation work is an ongoing process that involves internal and external benchmarking, as well as improvement and development of control activities.

Internal Auditor 13

The internal auditor of Lundin Petroleum provides an independent and objective appraisal function established as a service adding value to the organisation. The internal auditor is concerned with the adequacy and effectiveness of systems of control and whether they are managed, maintained, complied with and function effectively. To this end, the internal auditor will evaluate controls that promote efficient management reporting, compliance with procedures, protection of organisational assets and interests and effective control. The internal auditor reports to the Audit Committee.

1. Control Environment

Lundin Petroleum's Board of Directors has the overall responsibility for establishing an effective internal control system. The Audit Committee assists the Board in relation to the financial reporting, internal control and the reporting of financial risks. The Audit Committee also supervises the efficiency of the internal auditing, internal control and financial reporting and reviews all interim and annual financial reports.

The CEO is responsible for maintaining in the daily operations an effective control environment and for operating the system of internal control and risk management in the Group and is assisted by Group management at varying levels. Lundin Petroleum's internal auditor is further responsibile for ensuring that the internal control framework is adhered to.

The development and implementation of a Group-wide framework of consistent policies and procedures, to strengthen the internal control of the Group, is a continuous process. Together with laws and external regulations, these internal policies and procedures form the control environment which is the foundation of the internal control and risk management process at Lundin Petroleum. All employees are accountable for compliance with these policies and procedures within their areas of control and risk management.

2. Risk Assessment

Risk assessment is an integrated part of the internal control framework and is performed on an ongoing basis at Lundin Petroleum. Risk assessment is a process that identifies, sources and measures the risk of material error in the financial reporting and accounting systems of the Group. This process is the basis for designing control activities to mitigate identified risks.

Risks relating to financial reporting are monitored and assessed by the Board through the Audit Committee. As part of the risk assessment, Lundin Petroleum reviews and analyses the risks that exist within the financial reporting process and structures its internal control systems around the risks identified. The risks are assessed, on a quarterly basis, through a standardised methodology based on likelihood and impact and are then documented in a

Group-wide risk map. When risks are identified and evaluated, control activities are implemented to minimise the risks in the financial reporting process. Conclusions of the risk assessment are reported to management and the Board through the Audit Committee. Identified risk areas are mitigated through business processes with incorporated risk management, policies and procedures, segregation of duties and delegation of authority. For further details on the different risks, see the Risks and Risk Management section on pages 70–71.

3. Control Activities

The finance department of each Group company is responsible for the regular analysis of the financial results and for reporting thereon to the finance department at Group level. Various other control activities are also incorporated into the financial reporting process to ensure that the financial reporting gives a true and fair view at any reporting date and that business is conducted efficiently.

The Investment Committee oversees the Group's investment decisions through the annual budget process, supplementary budget requests submitted during the year etc., and makes recommendations to the Board as required. The Investment Committee meets regularly and its review and approval process constitutes an important control activity within the Group.

The internal auditor performs on a regular basis risk assessments and audits as per an internal audit plan which is approved by the Audit Committee twice per year. In addition, the internal auditor coordinates joint venture audits that are undertaken by Lundin Petroleum. In the oil and gas industry, operations are conducted through joint venture arrangements, where partners share the costs and risks of the activities. To ensure that accounting procedures are followed and costs are incurred in accordance with the joint operating agreement, for non-operated assets, joint venture partners have audit rights over the operating partner.

4. Information and Communication

Communicating relevant information throughout all levels of the Group, as well as to external parties, in a complete, correct and timely manner is an important part of the internal control framework.

Internal policies and procedures relating to the financial reporting, such as the Authorisation Policy, the Group Accounting Principles Manual and the Finance and Accounting Manual, are updated and communicated on a regular basis by Group management to all affected employees and are accessible through the information system network.

For communication to external parties, a communications policy has been formulated. The policy has been approved by the Board and defines how external information is to be issued, by whom and the way in which the information should be given.

Significant internal documents that form the control environment at Lundin Petroleum:

- The Code of Conduct: the Code of Conduct sets out the principles by which Lundin Petroleum is guided and describes the responsibilities it has towards its stakeholders.
- The Anti-fraud Policy: this policy outlines the employees' responsibilities with regard to fraud prevention, what to do if fraud is suspected and what action will be taken by management in the case of suspected or actual fraud.
- The Whistleblowing Policy: this policy was adopted to complement the anti-fraud policy as a means to address serious concerns that could have a significant impact on the Group.
- The Authorisation Policy: this policy defines the limits of authority that are applicable within the Group.
- The Group Accounting Principles Manual: this manual outlines the Group's accounting principles and explains how transactions are to be accounted for and requirements for disclosure. The manual focuses upon the accounting policies to be applied in accordance with International Financial Reporting Standards (IFRS).
- The Finance and Accounting Manual: this manual describes the day-to-day financial procedures within the Group.
- The Risk Management Policy: the risk management policy establishes a common understanding of the Company's minimum requirements and principles to be followed in relation to the management of risk for all activities undertaken by the Group.

5. Monitoring

In order to ensure the effectiveness of the internal control in respect of the financial reporting, monitoring activities are conducted by the Board, the Audit Committee and Group management, including the Company's CFO. The internal auditor and the Group finance department monitor compliance with internal policies, procedures and other policy documents. Further, an important monitoring activity carried out by the internal auditor is to follow-up on the results of the previous years' internal audits and risk assessments to ensure that the appropriate corrective measures have been implemented. Monitoring takes place at a central level, but also locally in the Group companies.

Board of Directors				
Name	Ian H. Lundin	Peggy Bruzelius	C. Ashley Heppenstall	Asbjørn Larsen
Function	Chairman (since 2002)	Director	President and Chief Executive Officer, Director	Director, CR/HSE Representative
Elected	2001	2013	2001	2008
Born	1960	1949	1962	1936
Education	Bachelor of Science degree in Petroleum Engineering from the University of Tulsa.	Master of Science (Economics and Business) from the Stockholm School of Economics.	Bachelor of Science degree in Mathematics from the University of Durham.	Norwegian School of Economics and Business Administration (NHH).
Experience	Ian H. Lundin was previously CEO of International Petroleum Corp. during 1989–1998, of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002.	Peggy Bruzelius has worked as Managing Director of ABB Financial Services AB and has headed the asset management division of Skandinaviska Enskilda Banken AB.	C. Ashley Heppenstall has worked with public companies where the Lundin family has a major shareholding since 1993. He was CFO of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002.	Asbjørn Larsen was CFO of Saga Petroleum during 1978–1979 and President and CEO during 1979–1998.
Other board duties	Chairman of the board of Etrion Corporation and member of the board of Bukowski Auktioner AB.	Chairman of the board of Lancelot Asset Management AB, member of the board of Axfood AB, Diageo PLC, Akzo Nobel NV and Skandia Liv.	Member of the board of Etrion Corporation and Gateway Storage Company Limited.	Member of the board of Selvaag Gruppen AS, The Montebello Cancer Rehabilitation Foundation and The Tom Wilhelmsen Foundation.
Shares in Lundin Petroleum (as at 31 December 2013)	Nil[1]	3,000	1,391,283	12,000
Board Attendance	8/8	4/5[3]	8/8	8/8
Audit Committee Attendance	–	2/3[3]	–	6/6
Compensation Committee Attendance	–	–	–	–
Reserves Committee Attendance	1/1	–	–	1/1
Remuneration for Board and Committee work	SEK 916,670	SEK 295,000	Nil	SEK 570,000
Remuneration for special assignments outside the directorship [9]	SEK 1,620,000	Nil	Nil	Nil
Independent of the Company and the Group management	Yes[2]	Yes	No[4]	Yes
Independent of the Company's major shareholders	No[1]	Yes	No[4]	Yes

1 Ian H. Lundin is the settler of a trust that owns Landor Participations Inc., an investment company that holds 11,538,956 shares in the Company, and is a member of the Lundin family that holds, through a family trust, Lorito Holdings (Guernsey) Ltd. which holds 76,342,895 shares in the Company and Zebra Holdings and Investment (Guernsey) Ltd. which holds 10,844,643 shares in the Company.

2 Ian H. Lundin has been regularly retained by management to perform remunerated work duties which fall outside the scope of the regular work of the Board. It is the Nomination Committee's and the Company's opinion that despite his work, he remains independent of the Company and the Group management.

3 Peggy Bruzelius has been a member of the Board and the Audit Committee since 8 May 2013.

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

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

Board of Directors			
Lukas H. Lundin	William A. Rand	Magnus Unger	Cecilia Vieweg
Director	Director	Director	Director
2001	2001	2001	2013
1958	1942	1942	1955
Graduate from the New Mexico Institute of Mining, Technology and Engineering.	Commerce degree (Honours Economics) from McGill University, Law degree from Dalhousie University, Master of Laws degree in International Law from the London School of Economics and Doctorate of Laws from Dalhousie University (Hon.).	MBA from the Stockholm School of Economics.	Master of Law from the University of Lund.
Lukas H. Lundin has held several key positions within companies where the Lundin family has a major shareholding.	William A. Rand practised law in Canada until 1992, after which he co-founded an investment company and pursued private business interests.	Magnus Unger was an Executive Vice President within the Atlas Copco group during 1988–1992.	Cecilia Vieweg is General Counsel and member of the Executive Management of AB Electrolux since 1999. She previously worked as legal advisor in senior positions within the AB Volvo Group and as a lawyer in private practice.
Chairman of the board of Lundin Mining Corp., Denison Mines Corp., Lucara Diamond Corp., NGEx Resources Inc. and Lundin Foundation, member of the board of Fortress Minerals Corp. and Bukowski Auktioner AB.	Member of the board of Lundin Mining Corp., Denison Mines Corp., New West Energy Services Inc. and NGEx Resources Inc.	Chairman of the board of CAL-Konsult AB and member of the board of Black Earth Farming Ltd.	Member of the board of the Association of Swedish Engineering Industries and the Swedish Securities Council.
788,331[5]	119,441	50,000	3,500
8/8	8/8	8/8	5/5[8]
–	6/6	3/3[7]	–
–	3/3	3/3	2/3[8]
–	–	–	–
SEK 470,000	SEK 745,000	SEK 620,000	SEK 320,000
Nil	Nil	SEK 300,000	Nil
Yes	Yes	Yes	Yes
No[5]	No[6]	Yes	Yes

6 William A. Rand is in the Nomination Committee's and the Company's opinion not deemed independent of the Company's major shareholders since he holds directorships in companies in which entities associated with the Lundin family hold ten percent or more of the share capital and voting rights.
7 Magnus Unger was a member of the Audit Committee until 8 May 2013.
8 Cecilia Vieweg has been a member of the Board and the Compensation Committee since 8 May 2013.
9 The remuneration paid during 2013 relates to fees paid for special assignments undertaken on behalf of the Group. The payment of such fees was in accordance with fees approved by the 2013 AGM.

Kristin Færøvik declined re-election at the AGM on 8 May 2013. During the period of 1 January to 8 May 2013, she attended 2 out of 3 Board meetings and there were no Compensation Committee meetings. For additional information regarding Kristin Færøvik, please see the Company's 2012 Annual Report, and for remuneration paid to her during 2013, please refer to Note 31 on pages 112–113.

Stockholm, 16 April 2014

The Board of Directors of Lundin Petroleum AB (publ)

Auditor's report on the Corporate Governance Statement

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

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2013 on pages 46–66 and that it has been prepared in accordance with the Annual Accounts Act.

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

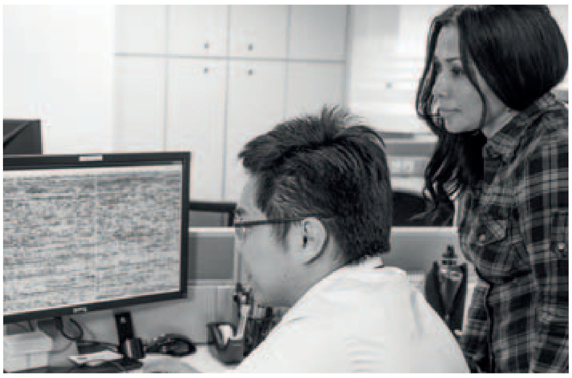
In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 16 April 2014
PricewaterhouseCoopers AB

Klas Brand
Authorised Public Accountant
Lead Partner

Johan Malmqvist
Authorised Public Accountant
Partner

We are
Lundin Petroleum



The Share and Shareholders

Lundin Petroleum share
The Lundin Petroleum share is listed on the Large Cap list of the Nasdaq OMX (OMX) Stockholm in Sweden and is part of the OMX 30 index. The share is also listed on the Toronto Stock Exchange (TSX) in Canada.

Market capitalisation
Lundin Petroleum's market capitalisation as at 31 December 2013 was MSEK 39,866.

Liquidity
During the year a total of 264 million shares were traded on the OMX to a value of approximately MSEK 37,772. A daily average of 1.06 million Lundin Petroleum shares were traded on the OMX in Stockholm. 0.2 million shares were traded on the TSX to a value of approximately CAD 5.27 million. A daily average of 1,429 Lundin Petroleum shares were traded on the TSX.

Share capital and voting rights
The registered share capital as at 31 December 2013 amounted to SEK 3,179,106 represented by 317,910,580 shares with a quota value of SEK 0.01 each and representing one vote each. All outstanding shares are common shares and carry equal rights to participation in Lundin Petroleum's assets and earnings.

Own purchased shares
The Annual General Meeting (AGM) of Lundin Petroleum held on 8 May 2013 resolved to authorise the Board of Directors to decide on the repurchase and sale of Lundin Petroleum shares on the OMX and TSX during the period until the next AGM. The maximum number of shares that can be repurchased and held in treasury from time to time cannot exceed five percent of all shares of Lundin Petroleum. The purpose of the authorisation is to provide the Board of Directors with a means to optimise Lundin Petroleum's capital structure and to secure Lundin Petroleum's exposure in relation to the LTIPs.

The total number of repurchased shares held by Lundin Petroleum on 31 December 2013 amounted to 8,340,250.

AGM resolution
During the AGM in 2013 it was resolved that the Board of Directors is authorised to issue no more than 35 million new shares, without the application of the shareholders' pre-emption rights, in order to enable the Company to raise capital for the Company's business operations and business acquisitions. If the authorisation is fully utilised the dilution effect on the share capital will amount to ten percent.

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

The size of any dividend would have to be determined by Lundin Petroleum's financial position and the possibilities for growth through profitable investments. Dividends will be paid when Lundin Petroleum generates sufficient cash flow and operating income from operations to maintain long-term financial strength and flexibility. Over time the total return to shareholders is expected to transfer from an increase in share price to dividends received.

Lundin Petroleum is progressing on a number of transformational development projects which will require funding. This development funding will take priority over dividend payments.

Share data
Since Lundin Petroleum was incorporated in May 2001 and up to 31 December 2013 the Parent Company share capital has developed as shown below.

Share data	Year	Quota value (SEK)	Change in number of shares	Total number of shares	Total share capital (SEK)
Formation of the Company	2001	100.00	1,000	1,000	100,000
Share split 10,000:1	2001	0.01	9,999,000	10,000,000	100,000
New share issue	2001	0.01	202,407,568	212,407,568	2,124,076
Warrants	2002	0.01	35,609,748	248,017,316	2,480,173
Incentive warrants	2002–2008	0.01	14,037,850	262,055,166	2,620,552
Valkyries Petroleum Corp. acquisition	2006	0.01	55,855,414	317,910,580	3,179,106
Total			317,910,580	317,910,580	3,179,106

Number of shares in circulation:

	31 Dec 2013	31 Dec 2012
Number of shares issued	317,910,580	317,910,580
Number of shares owned by Lundin Petroleum	8,340,250	7,368,285
Number of shares in circulation	**309,570,330**	310,542,295

Share ownership structure

Lundin Petroleum had 45,148 shareholders as at 31 December 2013. The proportion of shares held by Swedish retail investors amounted to 13 percent. Foreign investors held 70 percent of the shares.

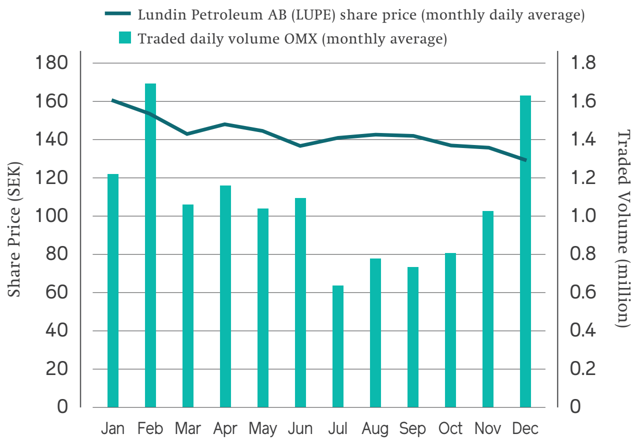
The 10 largest shareholders as at 31 Dec 2013	Number of shares	Subscription capital/votes,%
Lorito Holdings (Guernsey) Ltd.[1]	76,342,895	24.0
Landor Participations Inc.[2]	11,538,956	3.6
Zebra Holdings and Investment (Guernsey) Ltd.[1]	10,844,643	3.4
Lundin Petroleum AB	8,340,250	2.6
Swedbank Robur fonder	8,248,334	2.6
Danske Capital Sverige AB	4,264,159	1.3
Norges Bank Investment Management (Pension Fund Global)	4,164,629	1.3
Fjärde AP-fonden	3,194,836	1.0
Blackrock Global	3,003,092	0.9
Handelsbanken fonder	2,927,826	0.9
Other shareholders	185,040,960	58.4
Total	317,910,580	100.00

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

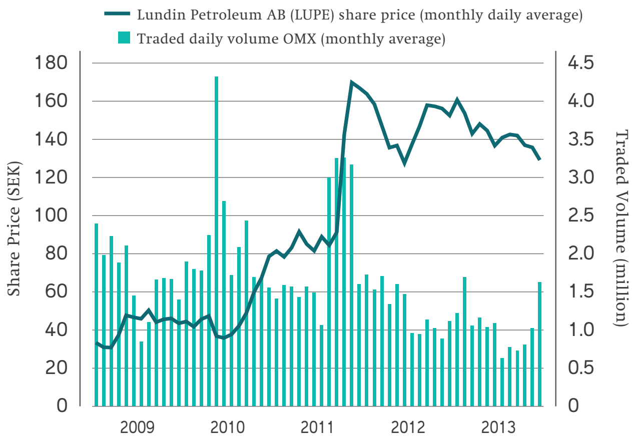
The top 10 shareholder list excludes shareholdings through nominee accounts. The above list only includes institutional shareholders who hold the shares directly as reported by Euroclear Sweden with the exception of the shareholding of Norges Bank Investment Management (NBIM) whose holding has been obtained directly from NBIM.

Size categories	Numbers of shareholders	Percentage of shares,%
1 – 500	31,417	1.56
501 – 1,000	5,963	1.58
1,001 – 10,000	6,697	6.30
10,001 – 50,000	707	4.87
50,001 – 100,000	115	2.62
100,001 – 500,000	154	12.00
500,001 –	95	71.07
Total	45,148	100.00

SHARE PRICE 2013



5 YEAR SHARE PRICE 2009–2013



Risk Management

The objective of risk management is to identify, understand and manage threats and opportunities within the business on a continual basis. This objective is achieved by creating a mandate and commitment to risk management at all levels of the business. This approach actively addresses risk as an integral and continual part of decision making within the Company and is designed to ensure that all risks are identified, fully acknowledged, understood and communicated well in advance. The ability to manage and or mitigate these risks represents a key component in ensuring that the business aim of the Company is achieved. Nevertheless 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 has identified the following principal risks relative to the Group's performance. The impact of risks within any one of these segments can influence the reputation of the Company (reputational risk). In addition to these identified principal risks, Lundin Petroleum Group management reviews all its business risks, including project execution, operational, financial and Health Safety and Environment risks on a quarterly basis. Risk mitigation is discussed and if required additional measures are implemented.

Description of risk	Mitigation – Risk management
Strategic Risk	
Failure to create shareholder value and meet shareholder expectations A strategy that is ineffective and poorly communicated or executed may lead to a loss of investor confidence and a reduction in the share price.	Lundin Petroleum's business model clearly defines the vision and strategy of the Company. Throughout all stages of the business cycle, Lundin Petroleum seeks to generate shareholder value by proactively investing in exploration to organically grow the reserve base, exploiting the existing asset base and acquiring new or disposing of reserves, as well as through an opportunistic approach. Strong communication channels are coupled with effective leadership in order to maintain creativity and an entrepreneurial spirit. This ensures that the entire organisation works towards the same goal.
Inadequate asset portfolio management Ineffective management may lead to a failure to understand and unlock the full value of an asset which could negatively impact shareholder value.	Lundin Petroleum continually reviews the economic value of the existing asset portfolio in order to ensure that the value of each asset within the portfolio is well understood, communicated and fully reflected within the share price.
Ineffective recruitment, retention and management of human capital An inability to attract and retain employees could cause short and medium term disruption to the business.	The Lundin Petroleum recruitment and compensation strategy is aligned with corporate goals and objectives and takes into consideration industry trends. The Performance Management process is designed to drive engagement and create a philosophy of ownership at all levels of the Company.
Lack of corporate responsibility and environmental awareness A real or perceived lack of corporate responsibility and environmental awareness can have an adverse impact on the people the Company works with, on the environment in which the Company operates and as well as on its reputation. Any such impact on the Company's reputation could in turn impact its license to operate, financing or access to new opportunities.	Lundin Petroleum's Corporate Responsibility framework is applied to all its activities and includes monitoring of risk mitigation measures, reporting and investigation of all incidents. Communication plans and management of stakeholder relations are designed to maintain good and effective relationships. (See also pages 36–45 Corporate Responsibility for more information). The Company's aim is to explore for and produce oil and gas in an economically, socially and environmentally responsible way, for the benefit of all its stakeholders, including shareholders, employees, business partners, host and home governments and local communities.
Financial Risk [1]	
Cost escalation and investment oversight Adequate policies must be in place to ensure that all necessary internal and external approvals are in place prior to the commitment to spend. Any change in expenditures must be captured in a timely manner through the reporting requirements.	Through the Lundin Petroleum annual budget and supplementary budget approval process the Company has implemented a rigorous process of oversight of all expenditure on a continual basis. This process ensures that expenditure is in line with approvals from the Investment Committee and that change is communicated in a thorough and timely manner.
Liquidity risk The risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price, could lead to inability to fund exploration and development work programmes.	Lundin Petroleum monitors rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs. The economics and planning department continuously monitors the macro and micro economic environment impacting the Group's business to ensure that management is informed of developments impacting capital decision making.
Credit risk The risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposure to customers.	Lundin Petroleum's policy is to limit credit risk by limiting the customers and partners to major oil companies and only use major banks. If there is a credit risk for oil and gas sales, the policy is to require an irrevocable letter of credit for the full value of the sale.
Financial reporting risk The risk that material misstatements in financial reporting and failure to accurately report financial data could lead to regulatory action, legal liability and damage to the Company's reputation.	The internal control system for financial reporting is in place to ensure the Group's objective for financial reporting is fulfilled.

[1] For more detailed information regarding financial risks see also Note 11 in notes to the financial statements pages 104–108. More information on the internal control is found in the Corporate Governance report pages 46–65.

Description of risk	Mitigation – Risk management
Operational Risk	
Development projects do not achieve stated objectives Ensuring that development projects remain on budget, on schedule and achieve operational objectives is essential in ensuring that shareholder value is maximised.	All development projects must pass through the Lundin Petroleum value process that requires technical, financial, Investment Committee and Board approval of all investment decisions. The development project management process assigns a steering committee that provides guidance, direction and control to the project. Government organisations, partners and third party groups also provide independent oversight. In Norway the Company is governed by the detailed guidelines for plan for development and operation of a petroleum deposit (PDO) and plan for installation and operation of facilities for transport and utilisation of petroleum (PIO) as published by the Norwegian Petroleum Directorate.
Health, safety and environment (HSE) A major operational HSE event could have a negative impact on the people and environment in which the Company works. This in turn can have an adverse impact on valuation.	Lundin Petroleum promotes active management of HSE issues throughout the Group. Proactive risk management, HSE policies, and an HSE management system in compliance with statutory requirements are an integral part of operations. (See also pages 36–45 Corporate Responsibility for more information.)
Major operational incident Apart from the HSE impact of a major operational incident, there can be significant financial consequences for oil spill response, replacement of equipment and liability	Lundin Petroleum's management systems are in place to avoid Major Operational Incidents. However oil and gas operations will never be completely risk free and the potential for incidents (although reduced to a minimum) will remain. Therefore all Operations are reviewed on a regular basis to assess the risk of incident and to ensure that adequate Insurance coverage is in place.
Increase in production costs Production costs are affected by the normal economic drivers of supply and demand as well as by various field operating conditions.	Effective procurement and cost control management processes are essential in ensuring that reasonable cost levels are achieved relative to business plans. Diligent operations management and effective maintenance planning help to ensure efficiency during operations. Production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect revenue and cash flow levels to varying degrees.
Availability of operational equipment Oil and gas exploration and development activities are dependent on the availability of drilling and related equipment. An inability to procure equipment on a timely basis may delay exploration and development activities.	Advanced planning of the Company's operational programme includes ensuring that the contracting strategy and procurement process is in place. Regular engagement with contractors and suppliers as well as consideration for equipment as part of the licence application process mitigates the risk.
Reserve and resources estimates In general, estimates of economically recoverable oil and gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved.	Reserves and resource calculations undergo a comprehensive internal peer review process and adhere to industry standards. All reserves are independently audited by ERC-Equipoise Ltd. as part of the annual reserves audit process. (See also pages 12–17 Reserves, Resources and Production for more information.)
Inability to replace and grow reserves The ability to increase reserves will depend not only on the ability to explore and develop the Company's present portfolio of opportunities, but also on the ability to select and acquire suitable producing assets or prospects.	The use of effective peer review for subsurface analysis and well site selection together with a well defined strategy for recruitment and retention of talented personnel mitigates the risk. (See also pages 12–17 Reserves, Resources and Production for more information.)
Ineffective systems to prevent bribery and corruption Corruption can occur in any country of operation. Incidents of non-compliance with anti-bribery and anti-corruption laws could be damaging to Lundin Petroleum, its reputation and shareholder value.	A consistent application of Lundin Petroleum's Code of Conduct, together with policies and procedures that clearly define levels of authority and internal control requirements help to mitigate risk. In 2010 Lundin Petroleum joined the UN Global Compact to further confirm the Company's commitment to ethical business practice and the Board of Directors adopted in 2011 an anti-corruption policy and guidelines. (See also pages 36–45 Corporate Responsibility for more information.)
External Risk	
Geopolitical Risk The Company is, and will be, actively engaged in oil and gas operations in various countries. Changes to laws within these countries may lead to negative consequences such as but not limited to the expropriation of property, cancellation of or modification of contract rights, and or increased taxation.	The Company reviews its portfolio of assets in relation to its financial performance on a regular basis. The consideration of political risk elements is a key component driving investment decisions for the Company as a whole. Local laws are monitored and the Company strives to ensure comprehensive interpretation and compliance with any changes that may impact the business.
Fluctuation in the price of oil and gas The price of oil and gas are affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty.	Lundin Petroleum's policy is to adopt a flexible approach towards oil price hedging based on an assessment of the benefits of the hedge contract in specific circumstances.
Fluctuation in currency rates Crude oil prices are generally set in US dollars, whereas costs may be in a variety of currencies. Fluctuation in exchange rates can therefore give rise to foreign exchange exposures	Lundin Petroleum's policy on currency rate hedging is, in case of currency exposure, is to consider setting the rate of exchange for known costs in non-US Dollar currencies to US Dollars in advance so that future US Dollar cost levels can be forecasted with a reasonable degree of certainty. The functional currencies of the companies in the Group are reviewed annually.
Interest rate risk The uncertainty in future interest rates could have an impact on the Company's earnings. The Group's interest rate risk arises from long-term borrowings.	Lundin Petroleum regularly assesses the benefits of interest rate hedging on borrowings.

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Directors' Report

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

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

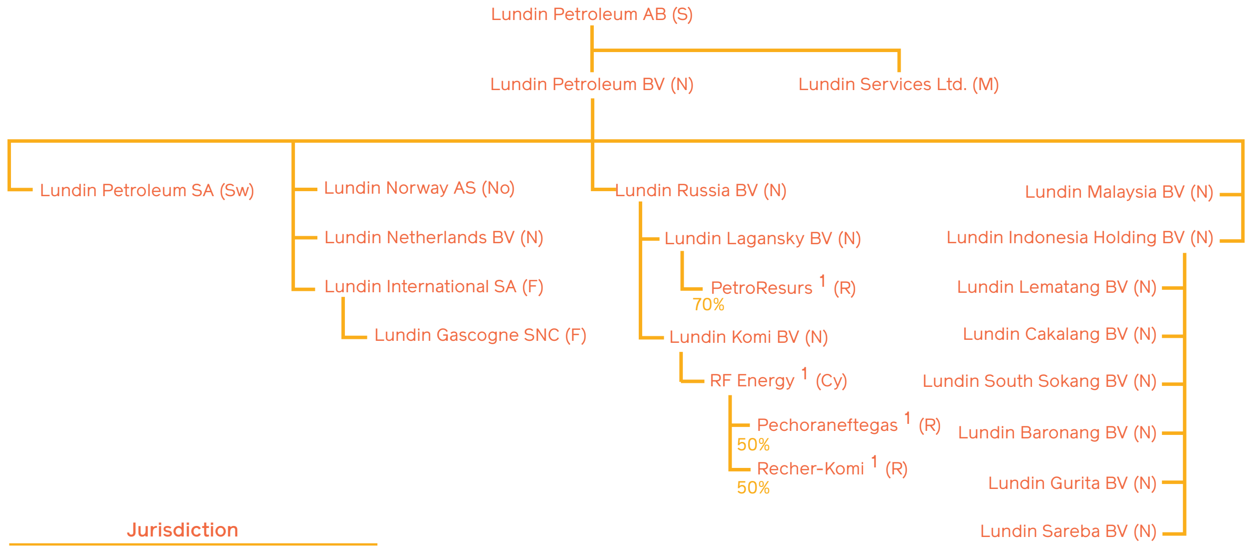
The main business of Lundin Petroleum is the exploration for, the development of, and the production of oil and gas. Lundin Petroleum maintains a portfolio of oil and gas production assets and development projects in various countries with exposure to exploration opportunities.

The Group does not carry out any significant research and development. The Group maintains branches in Malaysia and Indonesia. The Parent Company has no foreign branches.

Changes in the Group

There have been no significant changes to the Group for the financial year 2013.

Corporate Structure as at 31 December 2013



Jurisdiction

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

[1] See Group Financial Statements Note 9 and Parent Company Financial Statements Note 11 for full legal names and all subsidiaries

Note: The Group structure shows significant subsidiaries only

Operational Review

Production

Production for the year amounted to 32.7 thousand barrels of oil equivalent per day (Mboepd) (compared to 35.7 Mboepd over the same period in 2012) and was comprised as follows:

Production in Mboepd	2013	2012
Crude oil		
Norway	20.6	23.3
France	2.9	2.8
Russia	2.3	2.7
Tunisia	–	0.1
Total crude oil production	**25.8**	28.9
Gas		
Norway	3.3	3.9
Netherlands	2.0	1.9
Indonesia	1.6	1.0
Total gas production	**6.9**	6.8
Total production		
Quantity in Mboe	**11,939.6**	13,050.4
Quantity in Mboepd	**32.7**	35.7

Norway

Production

Production in Mboepd	Working Interest (WI)	2013	2012
Volund	35%	12.2	13.1
Alvheim	15%	10.5	11.8
Gaupe	40%	1.2	2.3
Quantity in Mboepd		**23.9**	27.2

The Volund field production during the year has exceeded forecast due to better than expected performance of the reservoir and the Alvheim FPSO uptime. An additional Volund development well was drilled in 2012 and put onstream early in 2013 resulting in Volund continuing to produce at close to full flowline capacity. Water breakthrough has now occurred in all of the four producing wells on Volund with total field water cut as at the end of 2013 being approximately 35 percent. The cost of operations, excluding project specific costs, for the Volund field during the year was below USD 2.50 per barrel.

Production from the Alvheim field during the year was below expectations. This was due to the shut-in of three production wells due to well integrity issues in two of the wells, both of which were shut-in during January 2013, and a flowline integrity issue in a well which was shut-in in June 2013. The flowline integrity issue has been resolved with the well coming back onstream in September 2013. Work-over activity commenced on the remaining two shut-in wells during the fourth quarter 2013. The two worked-over wells are expected to be brought back onstream in April 2014. Maintenance work on the Alvheim FPSO was successfully completed during the planned shut-in in August 2013. There was no production shut-in on the Alvheim FPSO in the previous year. The Alvheim FPSO uptime levels for the year of close to 96 percent have had a positive impact on the Alvheim production against forecast. The cost of operations for the Alvheim field, excluding well intervention and other one-off related project work, was around USD 5.00 per barrel during the year. The one-off well intervention work during 2013 is being recorded as additional cost of operations and is forecast to account for USD 1.25 per boe of Lundin Petroleum's total cost of operations for the full year. Three infill development wells are scheduled to be drilled on Alvheim in 2014 and 2015 resulting in an increase of net reserves in Alvheim for the ninth consecutive year. The previously announced drilling of the North Kameleon exploration prospect north of the Alvheim field is now expected to take place in 2015 due to delays in the Transocean Winner rig schedule.

Production from the Gaupe field during the year has been in line with expectations and the production shut-in during August 2013 for planned maintenance also progressed as expected with the field re-commencing production in September 2013. The Gaupe field is expected to cease production in 2014.

Development

Brynhild

The Brynhild field installation of the subsea template and manifolds, as well as the installation of production and injection flow lines, have been successfully completed. The drilling of the first of four development wells has reached final target depth and the well has found both the top of the reservoir and the quality of the reservoir as expected. The Haewene Brim FPSO, which will receive the crude oil from the Brynhild field, is owned by Bluewater and contracted to Shell, the operator of the Pierce field offshore United Kingdom. The FPSO arrived at the dry dock in Scotland in July 2013 for topside modification and life extension work. This work was completed later than planned with the FPSO leaving the yard in November 2013 approximately two months behind schedule. The FPSO was re-moored at the Pierce field location late in 2013 for further

Field Development	Licence	WI	PDO Approval	Estimated gross reserves	First production expected	Gross plateau production rate expected
Brynhild	PL148	90%	November 2011	23 MMboe	Second quarter 2014	12.0 Mboepd
Bøyla	PL340	15%	October 2012	22 MMboe	First quarter 2015	19.0 Mboepd
Edvard Grieg	PL338	50%	June 2012	186 MMboe	Late 2015	100.0 Mboepd

installation and commissioning work including the installation of a new production riser. First oil from the Brynhild field is forecast in the second quarter of 2014.

Bøyla

The Bøyla field will be developed as a 28 km subsea tie-back to the Alvheim FPSO with two production wells and one water injection well. Fabrication of the field's subsea structures has commenced and drilling of the three development wells is scheduled to take place in 2014 with the Transocean Winner rig. The first oil date has been revised to the first quarter 2015 due to a delay in the Transocean Winner rig schedule. The Bøyla field development costs remain on budget.

Edvard Grieg

The Edvard Grieg field development is progressing on schedule and on budget. Construction and engineering work on the jacket, topside and export pipelines is ongoing. First oil from the Edvard Grieg field is still expected in late 2015.

All the major contracts for the Edvard Grieg development have been awarded. Kværner has been awarded a contract covering engineering, procurement and construction of the jacket and the topsides for the platform and a contract has been awarded to Rowan Companies for a jack-up rig to drill the development wells. Saipem has been awarded the contract for marine installation. During the year, a plan for installation and operation (PIO) has been submitted to the Ministry of Petroleum and Energy for the 43 km long Edvard Grieg oil pipeline and the 94 km long Edvard Grieg gas pipeline. The pipelines will be jointly owned by the licence partners in Edvard Grieg PL338 and Ivar Aasen (formerly Draupne) PL001B/PL028B/PL242 with Lundin Petroleum having an ownership of 30 percent in the oil pipeline and 20 percent in the gas pipeline. Statoil will be the operator of the pipelines. The oil pipeline will be tied-into the Grane oil pipeline and the gas pipeline will be tied-in to the Sage Beryl gas system in the United Kingdom. Installment of the gas pipeline will be carried out in the summer of 2014 and the oil pipeline will be installed in 2015. The jacket construction commenced in 2012 and is now substantially complete and is expected to be shipped offshore in the second quarter of 2014 for installation. The construction of the topside commenced in 2013 and installation is planned during the summer of 2015. An appraisal well has commenced drilling in the southeastern part of the Edvard Grieg reservoir in the first quarter of 2014 with potential to increase reserves and optimise the location of the Edvard Grieg development wells.

The Edvard Grieg development plan incorporates the provision for the coordinated development solution with the nearby Ivar Aasen field located in PL001B and operated by Det norske oljeselskap ASA (Det norske). The Ivar Aasen development plan was approved by the Norwegian authorities during the first quarter of 2013.

Appraisal

Johan Sverdrup

Lundin Petroleum discovered the Avaldsnes field in PL501 (WI 40%) in 2010. In 2011, Statoil made the Aldous Major South discovery on the neighbouring PL265 (WI 10%). Following appraisal drilling, it was determined that the discoveries were connected and in January 2012 the combined discovery was renamed Johan Sverdrup. During 2013 an appraisal well drilled in PL502 (WI 0%) confirmed that a small portion of the field also extends into PL502.

A total of 20 wells have now been drilled on the Johan Sverdrup field and the appraisal campaign is now substantially complete. Statoil, the pre-unit operator of the field has released an updated gross contingent resource estimate for the Johan Sverdrup field of 1.8 to 2.9 billion boe and a first oil date of late 2019. In order to retain the targeted plan of development (PDO) approval schedule of 2015, a FEED contract was awarded to Aker Solutions in late 2013. A development concept selection was made in early 2014.

During the year, seven appraisal wells have been completed. Five appraisal wells have been drilled on PL501 during the year with results in terms of reservoir thickness and quality as well as oil columns being substantially in line with expectations.

One appraisal well was drilled on PL265 which was production tested from two zones with 1,500 bopd flow test from a lower sandstone layers with interbedded shales and 5,900 bopd from an upper zone with excellent quality Jurassic sandstone. One exploration well and one side track from the successful appraisal well were drilled west of the boundary fault on PL265 but both encountered basement with non-commercial reservoir properties.

One successful appraisal well was also drilled on PL502 during the year.

The following table outlines the drilled wells on Johan Sverdrup in 2013.

2013 appraisal well programme on Johan Sverdrup

Licence	Operator	WI	Well	Spud Date	Gross oil column	Result
PL501	Lundin Petroleum	40%	16/2–16AT2	December 2012	30m	Successfully completed February 2013 (side track)
PL501	Lundin Petroleum	40%	16/3–5	January 2013	30m	Successfully completed March 2013, Drill Stem Test (DST) completed
PL502	Statoil	0%	16/5–3	February 2013	13.5m	Successfully completed March 2013
PL265	Statoil	10%	16/2–17S	March 2013	82m	Successfully completed June 2013, 2 DST completed
PL501	Lundin Petroleum	40%	16/2–21	May 2013	12m	Successfully completed June 2013
PL501	Lundin Petroleum	40%	16/3–6	June 2013	11.5m	Successfully completed July 2013
PL265	Statoil	10%	16/2–18S Cliffhanger, North	July 2013	0m	Completed in August 2013 (exploration)
PL501	Lundin Petroleum	40%	16/5–4	August 2013	6m	Successfully completed in September 2013
PL501	Lundin Petroleum	40%	16/3–7	October 2013	0m	Completed in November 2013

In March 2014 one appraisal well was drilled on the Avaldsnes High in PL501 (WI 40%), encountering a 13 metres of oil filled excellent quality jurrasic reservoar and one well is currently drilling to the north of the Geitungen appraisal well 16/2-12 on PL265 (WI 10%).

Exploration

2013 exploration well programme

Licence	Well	Spud Date	Target	WI	Operator	Result
Southern NCS						
PL453S	8/5–1	January 2013	Ogna	35%	Lundin Petroleum	Dry
PL495	7/4–3	April 2013	Carlsberg	60%	Lundin Petroleum	Dry
Utsira High						
PL338	16/1–17	February 2013	Jorvik	50%	Lundin Petroleum	Oil discovery – non-commercial
PL359	16/4–6S	April 2013	Luno II	40%	Lundin Petroleum	Oil discovery – gross contingent resources 25–120 MMboe
PL544	16/4–7	July 2013	Biotitt	40%	Lundin Petroleum	Dry
PL501	16/2-20 and 16/2-20A	September 2013	Torvastad	40%	Lundin Petroleum	Dry
Utgard High						
PL330	6608/2–1S	June 2013	Sverdrup	30%	RWE Dea	Dry
Barents Sea						
PL492	7120/1–3	July 2013	Gohta	40%	Lundin Petroleum	Oil and Gas discovery — gross contingent resources 105–235 MMboe
PL659	7222/11–2	January 2014	Langlitinden	20%	Det norske	Dry

The completion of the well 16/4–6S targeting the Luno II prospect in PL359 (WI 40%) was announced in May 2013 as an oil discovery. The well was drilled on the southwestern flank of the Utsira High approximately 15 km south of the Edvard Grieg field. Lundin Petroleum estimated that the Luno II structure, which is believed to span across two separate reservoir segments, contains gross contingent resources of 25 to 120 MMboe as well as gross prospective resources of 10 to 40 MMboe for the Luno II North segment. The contingent resources relate to the southern segment of the Luno II structure and the prospective resources to the northern segment. Late in 2013, the potential Luno II discovery extension into PL410 (WI 70%) was appraised by well 16/5–5 but the well found the reservoir shallower than expected with worse reservoir quality and lower oil saturation than expected. The extension is therefore regarded as non-commercial. The 25 to 120 MMboe resource range is prior to the drilling of the 16/5–5 appraisal well in PL410. A second Luno II appraisal well is planned to be drilled on PL359 during the first half of 2014.

In September 2013, Lundin Petroleum announced a significant oil and gas discovery in the Barents Sea called Gohta. Well 7120/1–3, drilled on PL492 (WI 40%) approximately 35 km north of the Snøhvit field, encountered a 100 metre gross hydrocarbon column in Permo-Carboniferous carbonate reservoir of which the top 25 metres consisted of gas. The well was production tested and achieved a better than expected flow rate of 4,300 bopd through a 44/64” choke with a gas to oil ratio of 1,040 scf/bbl, confirming good production properties from the reservoir. The Gohta discovery is estimated to contain gross contingent resources of 105 to 235 MMboe. The Gohta discovery is likely sourced from a local Triassic oil kitchen which upgrades other prospects on PL492 and adjoining acreage PL609 (WI 40%) to the north. One appraisal well is planned to be drilled on Gohta and one exploration well on the Alta prospect on PL609 in 2014.

To the east of the Gohta discovery, the Langlitinden prospect, operated by Det norske, on PL659 (WI 20%) located to the southeast of the Loppa High spudded in January 2014. The well encountered oil in tight reservoar and was deemed to be non-commercial.

In October 2013, well 6608/2-1S drilled on PL330 (WI 30%) and operated by RWE Dea Norge AS was announced as a dry hole. The well was targeting Jurassic sandstones in the Sverdrup prospect (not to be confused with the Johan Sverdrup discovery in the North Sea) in the northern Norwegian Sea. The well encountered an active petroleum system but failed to encounter any reservoir and was plugged and abandoned.

In December 2013, well 16/2–20S targeting the Torvastad prospect on PL501 (WI 40%) on the Utsira High was completed. The well found good quality Jurassic reservoir but the reservoir was deep to prognosis and therefore waterbearing. The well was announced as a dry hole. A side-track to the 16/2–20S well to the west was commenced in December to ascertain whether the good quality sand would extend up-dip to the west. The side track did encounter a reservoir section up-dip but with poor reservoir quality and was also declared dry.

Lundin Petroleum plans to drill six exploration wells in Norway during 2014. In addition to the Kopervik, Alta and Langlitinden exploration wells, further wells are planned to be drilled on the Storm, Lindarormen and Vollgrav prospects. The Storm prospect on PL555 (WI 60%), located in the northern North Sea, is planned to be drilled during the second quarter 2014. In the second half of 2014, the Lindarormen well on PL584 (WI 60%) is forecast to be drilled in the Norwegian Sea to the south of the Asgard field and to the southwest of the Draugen field. In the second half of 2014, the Vollgrav well on PL631 (WI 60%) is also planned to be drilled in the northern North Sea between the Statfjord and Gullfaks fields.

Licence awards and relinquishments

During the reporting period, Lundin Petroleum was awarded seven licences through the APA 2012 licensing round and one additional licence in the 22nd Norwegian licensing round. Four licences were relinquished during the reporting period. In January 2014, it was announced that Lundin Petroleum had been awarded nine licences through the APA 2013 licensing round, including four new licences in the Barents Sea. In January 2014, Lundin Petroleum farmed-out ten percent in PL546 (WI 50% after farm-out) to Petrolia Norway AS.

Continental Europe

Production

Production in Mboepd	WI	2013	2012
France			
– Paris Basin	100%[1]	2.5	2.3
– Aquitaine	50%	0.4	0.5
Netherlands	Various	2.0	1.9
		4.9	4.7

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

France

Overall production levels from France during the year have increased with good production from the Grandville field in the Paris Basin which continues to ramp up production from increased water injection capacity and a higher well stock. This increase is partially offset by a production underperformance from certain Aquitaine Basin fields related to various, non-reservoir related, mechanical failures. The Hoplites exploration well on the Est Champagne concession (WI 100%) is planned to be drilled in 2014.

The Netherlands

Production from the Netherlands has been in line with the forecast during the year.

Five exploration wells are planned to be drilled during 2014: one onshore on the Leeuwarden licence (WI 7.23 %), two onshore on the Gorredijk licence (WI 7.75%) and one onshore on the Slootdorp licence (WI 7.23%). One offshore exploration well is planned to be drilled on the E17 licence (WI 1.20%).

South East Asia

Malaysia

The Bertam oil field, offshore Peninsular Malaysia received development approval from Petronas in October 2013 with first oil expected in 2015. Lundin Petroleum is planning to drill three exploration wells and one appraisal well in Malaysia in 2014.

Offshore, Peninsular Malaysia

Lundin Petroleum holds four licences offshore Peninsular Malaysia with a 75 percent operated working interest in PM307, a 35 percent operated working interest in PM308A, a 75 percent operated working interest in PM308B and a 85 percent operated working interest in PM319. Block PM307 contains the Bertam field and the Tembakau gas discovery.

A field development plan for the Bertam field was approved by Petronas and development commenced during the year. The Bertam field will be developed using a 20 slot Wellhead Platform adjacent to the spread-moored Ikdam FPSO which is owned 100 percent by Lundin Petroleum. The subsurface development concept consists of 13 horizontal wells and one deviated well completed with electrical submersible pumps. The FPSO life extension work contract has been placed with Keppel Shipyard and work is ongoing in Singapore. The wellhead platform contract has been awarded to TH Heavy Engineering (THHE) and work is ongoing at the yard in Pulau Indah close to Kuala Lumpur. Development drilling is planned to commence during the summer of 2014. The total gross capital investment associated with the Bertam field development, excluding any FPSO related costs, is estimated at approximately MUSD 400.

The Bertam field is estimated to contain gross reserves of 18.2 MMboe and is scheduled to commence first oil in 2015 with a gross plateau rate of 15,000 bopd.

A 3D seismic acquisition programme over the northern part of Block PM307 and the southern part of Block PM319 (WI 85%) was completed during the year and processing of the seismic is ongoing. The Tembakau gas discovery made in 2012, with gross best estimate contingent resources of 306 billion cubic feet (bcf), will be appraised as part of the next offshore Peninsular Malaysia drilling campaign to commence in the second quarter of 2014. An exploration well is planned to be drilled on the Rengas oil prospect on PM307 in 2014.

East Malaysia, offshore Sabah

Lundin Petroleum holds two licences offshore Sabah in east Malaysia with a 75 percent operated working interest in Block SB303 and a 42.5 percent operated working interest in Block SB307/308. Block SB303 contains four gas discoveries containing a gross best estimate contingent resource of 347 bcf.

Lundin Petroleum continues to evaluate the potential for commercialisation of the Berangan, Tarap, Cempulut and Titik Terang gas discoveries in Block SB303, most likely through a cluster development. Seismic processing of the 500 km^2 Emerald 3D survey on SB307 was completed during the year and two prospects, Maligan and Kitabu, within the Emerald 3D are planned to be drilled in 2014. An additional 500 km^2 3D seismic acquisition referenced as the Francis 3D, on SB307/308 was completed at the end of July 2013 and processing of the seismic is scheduled to be completed in the first half of 2014.

Indonesia

Lundin Petroleum's assets in Indonesia are located in the Natuna Sea and offshore northeastern Indonesia and onshore south Sumatra. The Indonesian assets consist of approximately 24,750 km^2 of exploration acreage and one producing field onshore Sumatra.

Production

Production in Mboepd	WI	2013	2012
Singa	25.9%	1.6	1.0

The production for the year increased compared to the same period last year following wellhead repairs on the Singa field.

Exploration

Baronang/Cakalang

Exploration drilling on the Baronang Block (WI 90%) is commenced in the first quarter of 2014 with a well and a sidetrack targeting the Balqis and Boni prospects. Both wells encountered good quality reservoars but neither well found any hydrocarbons.

Gurita

Following the completion of the interpretation of the 3D seismic acquisition of 950 km^2 acquired in 2012, the Gobi prospect has been identified as the targeted prospect for the 2014 exploration well on the Gurita Block (WI 90%). The Gobi prospect, which is estimated to contain gross 24 MMboe of prospective resources, is a fault-dip closure on the south flank of the Jemaja High, with stacked closures at multiple levels for Oligocene aged fluvial and alluvial sands which have been proven in many wells in the Natuna Basin. The Gobi prospect is scheduled to be drilled in 2014. In the event that the Hakuryu 11 rig is delayed further there is a risk that the Gobi-1 well is delayed until 2015.

South Sokang

A 3D seismic acquisition programme of 1,000 km^2 has been completed on the South Sokang Block (WI 60%) during the year. The seismic processing and interpretation is schedule to be completed in the first half of 2014.

Cendrawasih VII

In July 2013, Lundin Petroleum announced that it had signed a new PSC with SKKMigas whereby Lundin Petroleum will swap its Sareba Block with a new Block called the Cendrawasih VII Block (WI 100%) offshore eastern Indonesia.

Russia

Production

Production in Mboepd	WI	2013	2012
Onshore Komi Republic	50%	2.3	2.7

The production for the year decreased compared to the prior year as a result of the natural decline in the field.

Lagansky Block

In the Lagansky Block (WI 70%) in the northern Caspian a major oil discovery, Morskaya, was made in 2008 and is estimated to contain gross best estimate contingent resources of 157 MMboe. In October 2013, Lundin Petroleum announced a Heads of Agreement with Rosneft whereby Rosneft will acquire a 51 percent shareholding in LLC PetroResurs which owns a 100 percent interest in the Lagansky Block. Rosneft's consideration in return for the 51 percent equity stake relates to historical spending on the Block and will be paid to Lundin Petroleum and Gunvor through a deferred payment mechanism. Following the completion of this transaction, Lundin Petroleum will have a 34.3 percent effective interest in the Lagansky Block. It is expected that the Rosneft acquisition will be completed in the first half of 2014.

Financial Review

Result

The net result for the financial year 2013 amounted to MUSD 72.9 (MUSD 103.9). The net result attributable to shareholders of the Parent Company for the year amounted to MUSD 77.6 (MUSD 108.2) representing earnings per share of USD 0.25 (USD 0.35).

Earnings before interest, tax, depletion and amortisation (EBITDA) for the year amounted to MUSD 960.9 (MUSD 1,144.1) representing EBITDA per share of USD 3.10 (USD 3.68). Operating cash flow for the year amounted to MUSD 975.6 (MUSD 831.4) representing operating cash flow per share of USD 3.15 (USD 2.68).

Revenue

Revenue for the year amounted to MUSD 1,195.8 (MUSD 1,375.8) and comprised of net sales of oil and gas, change in under/over lift position and other revenue as detailed in Note 1. From 1 January 2013, the change in under/over lift position is reported in revenue as stated in the Accounting Policies section below. The comparatives have also been restated for this change. See Note 1 Revenue for impact of the change on the accounts.

Net sales of oil and gas for the year amounted to MUSD 1,224.2 (MUSD 1,319.5). The average price achieved by Lundin Petroleum for a barrel of oil equivalent amounted to USD 98.71 (USD 100.89) and is detailed in the following table. The average Dated Brent price for the year amounted to USD 108.66 (USD 111.67) per barrel. The Alvheim and Volund field crude cargoes sold during the year represented 79 percent (76 percent) of the total crude volumes sold and averaged over USD 3.00 per barrel over Dated Brent for the pricing period for each lifting.

Net sales of oil and gas for the year are detailed in Note 1 and Note 3 and were comprised as follows:

Sales Average price per boe expressed in USD	2013	2012
Crude oil sales		
Norway		
– Quantity in Mboe	7,925.4	8,270.1
– Average price per boe	111.87	115.29
France		
– Quantity in Mboe	1,030.4	1,041.1
– Average price per boe	106.93	110.44
Netherlands		
– Quantity in Mboe	1.8	1.7
– Average price per boe	96.24	100.09
Russia		
– Quantity in Mboe	818.9	981.6
– Average price per boe	77.84	77.23
Tunisia		
– Quantity in Mboe	–	227.5
– Average price per boe	–	108.14
Total crude oil sales		
– Quantity in Mboe	**9,776.5**	10,522.0
– Average price per boe	**108.50**	110.90

Sales Average price per boe expressed in USD	2013	2012
Gas and NGL sales		
Norway		
– Quantity in Mboe	1,389.4	1,513.9
– Average price per boe	72.33	64.18
Netherlands		
– Quantity in Mboe	715.7	704.2
– Average price per boe	64.34	60.18
Indonesia		
– Quantity in Mboe	520.1	338.1
– Average price per boe	32.54	32.43
Total gas and NGL sales		
– Quantity in Mboe	**2,625.2**	2,556.2
– Average price per boe	**62.27**	59.69
Total sales		
– Quantity in Mboe	**12,401.7**	13,078.2
– Average price per boe	**98.71**	100.89

The oil produced in Russia is sold on either the Russian domestic market or exported into the international market. 47 percent (45 percent) of Russian sales for the year were on the international market at an average price of USD 108.49 per barrel (USD 109.93 per barrel) with the remaining 53 percent (55 percent) of Russian sales being sold on the domestic market at an average price of USD 50.91 per barrel (USD 49.98 per barrel).

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

The change in under/over lift position amounted to a charge of MUSD 45.2 (credit of MUSD 30.7) to the income statement and primarily related to Norway where sales volumes were higher than production volumes for the year due to the timing of the cargo liftings in relation to the Alvheim Blend sales contract.

Other revenue amounted to MUSD 16.8 (MUSD 25.6) for the year and included the quality differential compensation received from the Vilje field owners to the Alvheim and Volund field owners, tariff income from France and the Netherlands and income for maintaining strategic inventory levels in France. The previous year includes MUSD 11.0 relating to an equity redetermination settlement in the Netherlands.

Production costs

Production costs including inventory movements for the year amounted to MUSD 195.8 (MUSD 203.2) and are detailed in the table below. The comparatives have been restated for the reclassification of the change in under/over lift from production costs to revenue.

Production costs	2013	2012
Cost of operations		
– In MUSD	114.6	105.6
– In USD per boe	9.60	8.09
Tariff and transportation expenses		
– In MUSD	25.7	29.7
– In USD per boe	2.15	2.27
Royalty and direct production taxes		
– In MUSD	44.0	51.3
– In USD per boe	3.69	3.93
Change in inventory position		
– In MUSD	-2.0	14.8
– In USD per boe	-0.16	1.13
Other		
– In MUSD	13.5	1.8
– In USD per boe	1.12	0.14
Total production costs		
– In MUSD	**195.8**	203.2
– In USD per boe	**16.40**	15.56

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

The total cost of operations for the year was MUSD 114.6 (MUSD 105.6) and included costs associated with well intervention work on the Alvheim and Volund fields, Norway and well intervention work and maintenance projects in the Paris Basin fields, France. Excluding operational projects, the 2013 average cost of operations was USD 7.45 per barrel.

Royalty and direct production taxes amounted to MUSD 44.0 (MUSD 51.3) and included Russian Mineral Extraction Tax (MET) and Russian Export Duties. The rate of MET is levied on the volume of Russian production and varies in relation to the international market price of Urals blend and the Rouble exchange rate. MET averaged USD 23.13 (USD 22.92) per barrel of Russian production for the year. The rate of export duty on Russian oil is revised monthly by the Russian Federation and is dependent on the average price obtained for Urals Blend for the preceding one month period. The export duty is levied on the volume of oil exported from Russia and averaged USD 54.61 (USD 57.08) per exported barrel for the year.

Change in inventory position amounted to a net credit of MUSD 2.0 in the year compared to a net MUSD 14.8 charge in the previous year. During 2013, there was only one cargo lifting from the Aquitaine fields, France, and the lifting was during the third quarter. In 2012, there were liftings of inventory from the Ikdam FPSO on the Oudna field, Tunisia, which was the main reason for the MUSD 14.8 charge for the previous year.

Other costs amounted to MUSD 13.5 (MUSD 1.8) and mainly related to a provision recognised for contractual obligations post the expected cessation of production date on the Gaupe field and a mark-to-market valuation of an operating cost share arrangement on the Brynhild field whereby the amount of operating costs varies with the oil price. Both of these items are non-cash and will unwind against actual expenses in the future.

Depletion and decommissioning costs

Depletion and decommissioning costs amounted to MUSD 174.2 (MUSD 191.4) and are detailed in Note 3. Norway's contribution to the total depletion charge for the year was 73 percent at an average rate of USD 13.40 per barrel. The lower depletion charge for 2013 compared to 2012 is in line with the lower production volumes and as a result of the lower depletion charge on the Gaupe field following the impairment of the carrying value at 31 December 2012.

Decommissioning costs charged to the income statement in the year amounted to MUSD 13.3 (MUSD 5.3) and primarily related to the increase in the Gaupe field site restoration estimate following the operator's review of the decommissioning timing and cost. The costs reported in the previous year related to the decommissioning of the Oudna field, Tunisia.

Exploration costs

Exploration costs expensed in the income statement for the year amounted to MUSD 287.8 (MUSD 168.4) and are detailed in Note 3. Exploration costs expensed in the year mainly related to the cost of drilling the wells on the Sverdrup prospect, Luno II South, Biotitt, Cliffhanger, Carlsberg, Ogna and Jorvik in Norway as well as associated licence costs. In addition, costs associated with certain licences that were relinquished in Norway and unsuccessful licence applications in the Norwegian 22nd licensing round were expensed.

Impairment costs

Impairment costs expensed in the income statement for the year amounted to MUSD 123.4 (MUSD 237.5) and are detailed in Note 3. The carrying values of the Janglau and Ara discoveries on PM308A, Malaysia, were fully expensed in 2013 for an amount of MUSD 41.7 (MUSD —). In addition, impairment costs of MUSD 81.7 which related to the gas discoveries on PL438 Skalle, PL533 Salina and PL088 Peik, Norway, were expensed as they are currently deemed uncommercial.

General, administrative and depreciation expenses

The general, administrative and depreciation expenses for the year amounted to MUSD 43.6 (MUSD 31.8) which included a non-cash charge of MUSD 3.3 (MUSD 9.1) in relation to the Group's Long-term Incentive Plan (LTIP) scheme.

The cash charge amounted to MUSD 35.9 (MUSD 19.6) for the year and includes the reallocation of costs previously charged through operations and certain advisory fees including business development activities.

The non-cash charge to the income statement resulting from the LTIP recognised over the year has partly been offset by the reduction in the Lundin Petroleum share price. The provision for the LTIP is calculated based on Lundin Petroleum's share price at the balance sheet date using the Black and Scholes method and is applied to the portion of the outstanding LTIP awards which are recognised at the balance sheet date. Any change in the value of the awards due to a change in the share price impacts all awards recognised at the balance sheet date including those of previous periods with the change in the provision being reflected in the income statement. Lundin Petroleum has mitigated the cash exposure of the LTIP by purchasing its own shares. For more detail refer to Note 32.

Fixed asset depreciation charges for the year amounted to MUSD 4.4 (MUSD 3.1).

Financial income

Financial income for the year amounted to MUSD 3.3 (MUSD 27.3) and is detailed in Note 4. The previous year includes a gain on consolidation of a subsidiary of MUSD 13.4 and a net foreign exchange gain of MUSD 6.2.

Financial expenses

Financial expenses for the year amounted to MUSD 86.3 (MUSD 48.5) and are detailed in Note 5.

Interest expense for the year amounted to MUSD 5.3 (MUSD 6.8) and represented the proportion of interest charged to the income statement. An additional amount of interest of MUSD 18.2 (MUSD 3.4) associated with the funding of the Norwegian development projects was capitalised in the year.

Net foreign exchange losses for the year amounted to MUSD 46.5 (MUSD 6.2 gain). Foreign exchange movements occur on the settlement of transactions denominated in foreign currencies and the revaluation of working capital and loan balances to the prevailing exchange rate at the balance sheet date where those monetary assets and liabilities are held in currencies other than the functional currencies of the Group reporting entities. During the year the US Dollar strengthened against the Norwegian Krona and this has resulted in reported foreign exchange losses. Lundin Petroleum's underlying value is US Dollar based as this is the currency in which the majority of revenues are derived. A strengthening US Dollar currency has a positive overall value effect on the business as it increases the purchasing power of the US Dollar to purchase the currencies in which the Group incurs operational expenditure. Lundin Petroleum has hedged certain foreign currency operational expenditure amounts against the US Dollar as detailed in the Derivative financial instruments section below. During the year, the realised exchange gain on settled foreign exchange hedges amounted to MUSD 5.5 (MUSD 11.7).

The amortisation of the deferred financing fees amounted to MUSD 8.7 (MUSD 6.6) for the year and related to the expensing of the fees incurred in establishing the USD 2.5 billion financing loan facility in June 2012 over the period of usage of the facility.

Loan facility commitment fees for the year amounted to MUSD 17.1 (MUSD 10.3). The increase over the previous year relates to the commitment fees on the undrawn portion of the USD 2.5 billion financing facility entered into in June 2012 compared to the commitment fees on the undrawn portion of the MUSD 850 previous financing facility.

Income taxes

The overall tax charge for the year amounted to MUSD 215.1 (MUSD 418.4) and is detailed in Note 6.

The current tax charge for the year amounted to MUSD 24.5 (MUSD 341.3) of which MUSD 2.9 (MUSD 311.8) related to Norway. The decrease in the Norwegian tax charge compared to the previous year is mainly due to the increased level of development and exploration expenditure in Norway as shown in the Non-current assets section below.

The deferred tax charge for the year amounted to MUSD 190.6 (MUSD 77.1) of which MUSD 196.2 (MUSD 80.4) related to Norway. The deferred tax charge arises primarily where there is a difference in depletion for tax and accounting purposes. In addition, previously unrecognised Dutch fiscal unity tax losses were recognised following the field development approval of the Bertam field, Malaysia, resulting in a MUSD 8.9 deferred tax credit in the fourth quarter of 2013.

The Group operates in various countries and fiscal regimes where corporate income tax rates are different from the regulations in Sweden. Corporate income tax rates for the Group vary between 20 percent and 78 percent. The effective tax rate for the Group for the year amounted to 75 percent. This effective rate is calculated from the face of the income statement and does not reflect the effective rate of tax paid within each country of operation. The high overall effective rate of tax for the year is largely driven by Norway where the tax rate is 78 percent and that there was not a full tax credit on the impairment costs in Norway and Malaysia, reported in 2013.

Non-controlling interest

The net result attributable to non-controlling interest for the year amounted to MUSD -4.7 (MUSD -4.3) and related mainly to the non-controlling interest's share in a Russian subsidiary which is fully consolidated.

Balance Sheet

Non-current assets

Oil and gas properties amounted to MUSD 3,851.9 (MUSD 2,864.4) and are detailed in Note 7.

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

Development expenditure in MUSD	2013	2012
Norway	1,105.9	369.0
France	7.0	29.2
Netherlands	4.8	8.5
Indonesia	-1.9	-0.4
Russia	3.6	7.5
Malaysia	12.7	–
	1,132.1	413.8

An amount of MUSD 1,105.9 (MUSD 369.0) of development expenditure was incurred in Norway during the year, of which MUSD 1,057.2 (MUSD 283.3) was invested in the Brynhild and Edvard Grieg field developments. In Malaysia, MUSD 12.7 (MUSD –) was incurred during the year on the Bertam field development.

Exploration and appraisal expenditure in MUSD	2013	2012
Norway	506.4	323.2
France	2.4	9.8
Indonesia	18.5	16.4
Russia	6.0	3.6
Malaysia	36.1	100.5
Other	0.5	3.8
	569.9	457.3

During the year MUSD 36.1 (MUSD 100.5) was spent in Malaysia on the Ara well on Block PM308A which was drilling over the year end 2012 and the completion of a seismic acquisition programme over Blocks PM307, PM319 and Block SB307/308.

Other tangible fixed assets amounted to MUSD 85.0 (MUSD 49.4) and included amounts relating to the Ikdam FPSO and to other fixed assets. The Ikdam FPSO is currently being upgraded for use on the Bertam field development project in Malaysia.

Other shares and participations amounted to MUSD 22.0 (MUSD 20.0) and mainly related to the shares held in ShaMaran Petroleum which are reported at market value with any change in value being recorded in other comprehensive income.

Deferred tax assets amounted to MUSD 22.4 (MUSD 13.3) and are mainly related to the part of the tax loss carry forwards in the Netherlands that are expected to be utilised against future tax liabilities. The increase compared to the previous year in deferred tax assets relates mainly to the recognition of previously unrecognised Dutch fiscal unit tax losses following the approval of the field development for the Bertam field, Malaysia, in the fourth quarter of 2013.

Current assets

Inventories amounted to MUSD 22.8 (MUSD 18.7) and included both hydrocarbon inventories and well supplies.

Trade receivables amounted to MUSD 128.9 (MUSD 125.9) and included MUSD 102.5 (MUSD 100.6) relating to Norway. All trade receivables are current.

Derivative instruments amounted to MUSD 3.2 (MUSD 9.1) and related to the mark-to-market on part of the outstanding foreign currency hedge contracts.

Prepaid expenses and accrued income amounted to MUSD 62.1 (MUSD 32.9) and represented prepaid operational and insurance expenditure including mobilisation costs of a Norwegian rig to be charged out to future wells.

Joint venture debtors amounted to MUSD 25.2 (MUSD 11.5) and increased compared to the prior year due to the higher level of activity.

Other receivables amounted to MUSD 43.5 (MUSD 40.3) and are detailed in Note 16. Included in other receivables is the underlift position which amounted to MUSD 9.4 (MUSD 26.4) of which MUSD 6.3 (MUSD 24.6) related to the Gaupe field, Norway. A receivable amounting to MUSD 6.5 (MUSD 4.0) for corporate tax is also included in other receivables, including a tax refund due in France of MUSD 5.8 (MUSD 3.5). Other current assets amounted to MUSD 23.5 (MUSD 6.9) and included amounts receivable relating to farm-outs in Norway and Indonesia.

Cash and cash equivalents amounted to MUSD 92.7 (MUSD 97.4). Cash balances are held to meet ongoing operational funding requirements.

Non-current liabilities

The provision for site restoration amounted to MUSD 246.1 (MUSD 190.5) and related to future decommissioning obligations, as detailed in Note 19. The provision has increased during the year following the inclusion of the Brynhild field totalling MUSD 24.4, updated cost estimates for the other fields and the unwinding of the discounting of the site restoration provision.

The provision for deferred taxes amounted to MUSD 1,067.6 (MUSD 942.2) of which MUSD 924.6 (MUSD 802.8) related to Norway, as detailed in Note 6. The provision mainly arises on the excess of book value over the tax value of oil and gas properties. Deferred tax assets are netted off against deferred tax liabilities where they relate to the same jurisdiction.

Other provisions amounted to MUSD 34.4 (MUSD 70.4) and are detailed in Note 21. Included in other provisions is the non-current portion of the provision for Lundin Petroleum's LTIP scheme which amounted to MUSD 30.8 (MUSD 67.1). Lundin Petroleum's LTIP scheme is outlined in this report under the Remuneration section. The phantom option plan vests in May 2014 at which time 50 percent of the vested amount will become payable and this amount due is included in provisions in current liabilities. For more information refer to Note 31 Remuneration to the Board of Directors, Executive Management and other employees. The non-current portion of the provision includes the vested amount of the phantom option plan which is payable in May 2015. Derivative instruments amounted to MUSD 1.6 (MUSD —) and related to the mark-to-market on part of the outstanding foreign currency hedge and interest rate contracts to be settled after twelve months.

Financial liabilities amounted to MUSD 1,239.1 (MUSD 384.2) and are detailed in Note 22. Bank loans amounted to MUSD 1,275.0 (MUSD 432.0) and related to the outstanding loan under the Group's USD 2.5 billion revolving borrowing base facility. Capitalised financing fees amounted to MUSD 35.9 (MUSD 47.8) relating to the establishment costs of the USD 2.5 billion financing facility are being amortised over the expected life of the financing facility.

Other non-current liabilities amounted to MUSD 24.9 (MUSD 22.6) and mainly arise from the full consolidation of a subsidiary in which the non-controlling interest entity has made funding advances in relation to LLC PetroResurs, Russia.

Current liabilities

Tax liabilities amounted to MUSD 4.7 (MUSD 170.0) of which MUSD 3.6 (MUSD 163.6) related to Norway.

Derivative instruments amounted to MUSD 4.0 (MUSD —) and related to the mark-to-market on part of the outstanding foreign currency hedge and interest rate contracts to be settled within twelve months.

Joint venture creditors and accrued expenses amounted to MUSD 334.5 (MUSD 213.9) and MUSD 41.0 (MUSD 8.3) respectively and related mainly to the increased development and drilling activity in Norway.

Other liabilities amounted to MUSD 42.6 (MUSD 15.4) and are detailed in Note 24. The overlift position amounted to MUSD 29.2 (MUSD 0.5) and related to the overlift of the Alvheim and Volund fields production entitlement at 31 December 2013.

Short term provisions amounted to MUSD 46.2 (MUSD 8.8) and related to the current portion of the provision for Lundin Petroleum's LTIP scheme. The current portion of the provision includes the vested amount of the phantom option plan payable in May 2014. For more information refer to Note 29, Related party transactions.

Annual General Meeting

The Annual General Meeting will be held in Stockholm on 15 May 2014.

Board's Proposal for Remuneration to Group Management

The intention of the Board of Directors is to propose to the 2014 AGM the adoption of a Policy on Remuneration for 2014 that follows in essence the same principles as applied in 2013 and that contains similar elements of remuneration for Group Management as the 2013 Policy on Remuneration being base salary, yearly variable salary, Long-term Incentive Plan (LTIP) and other benefits.

The Board will propose that the AGM also resolve on a new long-term, performance-based incentive plan in respect of Group Management and a number of key employees of Lundin Petroleum. LTIP 2014 gives the participants the possibility to receive shares in Lundin Petroleum subject to i.a. the fulfilment of a performance condition under a three year performance period commencing on 1 July 2014 and expiring on 1 July 2017. The performance condition is based on the share price growth and dividends (Total Shareholder Return) of the Lundin Petroleum share compared to the Total Shareholder Return of a peer group of companies. At the beginning of the performance period, the participants will free of charge be granted awards which, provided that i.a. the performance condition is met, entitle the participant to be allotted free of charge shares in Lundin Petroleum at the end of the performance period.

The number of performance shares that may be allotted to each participant is limited to a value of three times his/her annual gross base salary for 2014. The total number of performance shares that may be allotted under LTIP 2014 is 700,000, corresponding to approximately 0,2 percent of the total number of outstanding shares in Lundin Petroleum. The Board of Directors may reduce (including reduce to zero) allotment of performance shares at its discretion, should it consider the underlying performance not to be reflected in the outcome of the performance condition, for example, in light of operating cash flow, reserves, and health and safety performance.

The participants will not be entitled to transfer, pledge or dispose of the LTIP awards or any rights or obligations under LTIP 2014, or perform any shareholders' rights regarding the LTIP awards during the performance period.

The LTIP awards entitle participants to acquire already existing shares. To ensure delivery of the required number of shares under LTIP 2014, the Board of Directors will consider means to secure the Company's commitment. One method would be to enter into an equity swap agreement with a third party on terms in accordance with market practice, whereby the third party in its own name shall be entitled to acquire and transfer shares in Lundin Petroleum to the participants.

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

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

For a detailed description of the Policy on Remuneration applied in 2013, refer to the Corporate Governance report on pages 46—66. The remuneration to Board and Executive Management is detailed in Notes 31 and 32.

Share Information
During 2013 Lundin Petroleum purchased 971,965 of its own shares at an average price of SEK 135.40 and holds 8,340,250 of its own shares at 31 December 2013. For the AGM resolution on the authorisation to issue new shares, see page 68, The Lundin Petroleum Share and Shareholders.

Dividend
The Directors propose that no dividend be paid for the year. For details of the dividend policy refer to the dividend policy, page 68, The Lundin Petroleum Share and Shareholders.

Proposed Disposition of Unappropriated Earnings
The Board of Directors propose that the unrestricted equity of the Parent Company of MSEK 6,949.5, including the net result for the year of MSEK 76.1 be brought forward.

Changes in Board of Directors
At the AGM held on 8 May 2013, Peggy Bruzelius and Cecilia Vieweg were elected as new members of the Board of Directors of Lundin Petroleum. Kristin Færøvik had declined to stand for re-election. At the 2014 AGM, all the current members of the Board of Directors will be proposed for re-election.

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

The Parent Company's income statement, balance sheet, statement of cash flow, statement of changes in equity and related notes presented in Swedish Kroner can be found on pages 116–120.

Corporate Governance Report
Lundin Petroleum has issued a Corporate Governance report which is separate from the Financial Statements. The Corporate Governance report is included in this document, on the pages 46–66.

Consolidated Income Statement
for the Financial Year Ended 31 December

Expressed in MUSD	Note	2013	2012
Revenue	1	**1,195.8**	1,375.8
Cost of sales			
Production costs	2	-195.8	-203.2
Depletion and decommissioning costs	3	-174.2	-191.4
Exploration costs	3	-287.8	-168.4
Impairment costs of oil and gas properties	3	-123.4	-237.5
Gross profit		**414.6**	575.3
General, administration and depreciation expenses		-43.6	-31.8
Operating profit		**371.0**	543.5
Result from financial investments			
Financial income	4	3.3	27.3
Financial expenses	5	-86.3	-48.5
		-83.0	-21.2
Profit before tax		**288.0**	522.3
Income tax expense	6	-215.1	-418.4
Net result		**72.9**	103.9
Net result attributable to the shareholders of the Parent Company:		77.6	108.2
Net result attributable to non-controlling interest:		-4.7	-4.3
Net result		**72.9**	103.9
Earnings per share — USD [1]	27	0.25	0.35

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

Consolidated Statement of Comprehensive Income
for the Financial Year Ended 31 December

Expressed in MUSD	Note	2013	2012
Net result		**72.9**	103.9
Items that may be subsequently reclassified to profit or loss:			
Exchange differences foreign operations		-31.7	61.6
Cash flow hedges		-8.1	9.2
Available-for-sale financial assets		1.9	16.1
Income tax relating to other comprehensive income	6	1.9	-2.3
Other comprehensive income, net of tax		**-36.0**	84.6
Total comprehensive income		**36.9**	188.5
Total comprehensive income attributable to:			
Shareholders of the Parent Company		44.7	190.2
Non-controlling interest		-7.8	-1.7
		36.9	188.5

Consolidated Balance Sheet
for the Financial Year Ended 31 December

Expressed in MUSD	Note	2013	2012
ASSETS			
Non-current assets			
Oil and gas properties	7	3,851.9	2,864.4
Other tangible assets	8	85.0	49.4
Other shares and participations	10	22.0	20.0
Deferred tax	6	22.4	13.3
Derivate instruments		3.0	–
Other financial assets	12	11.8	10.8
Total non-current assets		**3,996.1**	2,957.9
Current assets			
Inventories	13	22.8	18.7
Trade receivables	14	128.9	125.9
Prepaid expenses and accrued income	15	62.1	32.9
Derivative instruments	11	3.2	9.1
Joint venture debtors		25.2	11.5
Other receivables	16	43.5	40.3
Cash and cash equivalents	17	92.7	97.4
Total current assets		**378.4**	335.8
TOTAL ASSETS		**4,374.5**	3,293.7
EQUITY AND LIABILITIES			
Equity			
Share capital		0.5	0.5
Additional paid in capital		454.8	474.9
Other reserves	18	-96.7	-63.8
Retained earnings		770.8	662.6
Net result		77.6	108.2
Shareholders' equity		**1,207.0**	1,182.4
Non-controlling interest		59.8	67.7
Total equity		**1,266.8**	1,250.1
Non-current liabilities			
Provision for site restoration	19	246.1	190.5
Pension provision	20	1.5	1.5
Provision for deferred tax	6	1,067.6	942.2
Derivate instruments		1.6	–
Other provisions	21	34.4	70.4
Financial liabilities	22	1,239.1	384.2
Other non-current liabilities		24.9	22.6
Total non-current liabilities		**2,615.3**	1,611.4
Current liabilities			
Trade payables	11	19.4	15.7
Tax liabilities	6	4.7	170.0
Derivative instruments	11	4.0	–
Accrued expenses and deferred income	23	41.0	12.7
Joint venture creditors		334.5	209.6
Other liabilities	24	42.6	15.4
Provisions	21	46.2	8.8
Total current liabilities		**492.4**	432.2
TOTAL EQUITY AND LIABILITIES		**4,374.5**	3,293.7
Pledged assets	25	1,870.3	1,831.3
Contingent liabilities and assets	26	–	–

Consolidated Statement of Cash Flow
for the Financial Year Ended 31 December

Expressed in MUSD	Note	2013	2012
Cash flow from operations			
Net result		**72.9**	103.9
Adjustments for non-cash related items	28	885.3	1,056.9
Gain on sale of assets		–	-1.1
Interest received		0.9	3.5
Interest paid		-21.8	-8.9
Income taxes paid		-187.7	-428.8
Changes in working capital:			
Change in inventories		-4.1	12.9
Change in underlift position		17.1	-24.6
Change in receivables		-40.6	8.0
Change in overlift position		28.8	-7.2
Change in liabilities		163.4	104.4
Total cash flow from operations		**914.2**	819.0
Cash flow from investments			
Investment in oil and gas properties		-1,702.0	-919.4
Investment in office equipment and other assets		-36.2	-9.7
Investment in subsidiaries		-3.5	-10.2
Decommissioning costs paid		-1.5	-18.6
Other payments		-0.4	-3.2
Total cash flow from investments		**-1,743.6**	-961.1
Cash flow from financing			
Proceeds from borrowings		915.1	592.0
Repayments of borrowings		-70.0	-366.3
Paid financing fees		–	-49.2
Purchase of own shares		-20.1	-8.7
Dividend paid to non-controlling interest		-0.1	–
Total cash flow from financing		**824.9**	167.8
Change in cash and cash equivalents		**-4.5**	25.7
Cash and cash equivalents at the beginning of the year		97.4	73.6
Currency exchange difference in cash and cash equivalents		-0.2	-1.9
Cash and cash equivalents at the end of the year		**92.7**	97.4

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

Consolidated Statement of Changes in Equity

for the Financial Year Ended 31 December

Total Equity comprises: Expressed in MUSD	Share capital [1]	Additional paid-in-capital	Other reserves [2]	Retained earnings	Net result	Non-controlling interest	Total equity
Balance at 1 January 2012	**0.5**	**483.6**	**-145.8**	**502.5**	**160.1**	**69.4**	**1,070.3**
Transfer of prior year net result	–	–	–	160.1	-160.1	–	–
Net result	–	–	–	–	108.2	-4.3	103.9
Currency translation difference	–	–	59.0	–	–	2.6	61.6
Cash flow hedges	–	–	9.2	–	–	–	9.2
Available for sale financial assets	–	–	16.1	–	–	–	16.1
Income tax relating to other comprehensive income	–	–	-2.3	–	–	–	-2.3
Total comprehensive income	**–**	**–**	**82.0**	**–**	**108.2**	**-1.7**	**188.5**
Transactions with owners							
Purchase of own shares	–	-8.7	–	–	–	–	-8.7
Total transactions with owners	**–**	**-8.7**	**–**	**–**	**–**	**–**	**-8.7**
Balance at 31 December 2012	**0.5**	**474.9**	**-63.8**	**662.6**	**108.2**	**67.7**	**1,250.1**
Transfer of prior year net result	–	–	–	108.2	-108.2	–	–
Net result	–	–	–	–	77.6	-4.7	72.9
Currency translation difference	–	–	-28.6	–	–	-3.1	-31.7
Cash flow hedges	–	–	-8.1	–	–	–	-8.1
Available for sale financial assets	–	–	1.9	–	–	–	1.9
Income tax relating to other comprehensive income	–	–	1.9	–	–	–	1.9
Total comprehensive income	**–**	**–**	**-32.9**	**–**	**77.6**	**-7.8**	**36.9**
Transactions with owners							
Distributions	–	–	–	–	–	-0.1	-0.1
Purchase of own shares	–	-20.1	–	–	–	–	-20.1
Total transactions with owners	**–**	**-20.1**	**–**	**–**	**–**	**-0.1**	**-20.2**
Balance at 31 December 2013	**0.5**	**454.8**	**-96.7**	**770.8**	**77.6**	**59.8**	**1,266.8**

[1] Lundin Petroleum AB's issued share capital at 31 December 2013 amounted to SEK 3,179,106 represented by 317,910,580 shares with a quota value of SEK 0.01 each, the USD equivalent of the issued share capital is MUSD 0.5. Included in the number of shares issued at 31 December 2013 are 8,340,250 shares which Lundin Petroleum holds in its own name.

[2] Other reserves are described in detail in Note 18.

Accounting Policies

Basis of preparation

Lundin Petroleum's annual report has been prepared in accordance with prevailing International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted by the EU Commission and the Swedish Annual Accounts Act (1995:1554). In addition RFR 1 "Supplementary Rules for Groups" has been applied as issued by the Swedish Financial Reporting Board. The Parent Company applies the same accounting policies as the Group, except as specified in the Parent Company accounting policies on page 116.

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through other comprehensive income.

Accounting standards, amendments and interpretations

As from 1 January 2013, Lundin Petroleum has applied the following new accounting standards: IFRS 13 Fair value measurement, revised IAS 1 Presentation of financial statements and amendment to IFRS 7 Financial instruments.

IFRS 13, "Fair value measurement" The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not have any significant effect on the consolidated financial statements of the Group.

Amendment to *IAS 1, "Financial statement presentation"* The amendment includes a requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

Amendment to *IFRS 7, "Financial instruments – disclosures"* The amendment includes new disclosures and does not have any significant effect on the consolidated financial statements of the Group.

The following new issued standards are not mandatory for the 2013 financial statements and have not been adopted early. These standards might lead to significant changes in the accounting and standard practice for the industry. Careful consideration will be required to assess the practical implication for the Group.

IFRS 9, "Financial instruments" The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 is effective from 1 January 2015, and not from 1 January 2013 as originally intended. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on 1 January 2015.

IFRS 10, "Consolidated financial statements" The objective of the standard is to build on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Group intends to adopt IFRS 10 from 1 January 2014.

IFRS 11, "Joint arrangements" The standard is focusing on the rights and obligations of the joint arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. The Group intends to adopt IFRS 11 from 1 January 2014. See section jointly controlled entities below.

IFRS 12, "Disclosures of interests in other entities" The standard introduces a range of new and expanded disclosure requirements. These will require the disclosure of significant judgements and assumptions made by management in determining whether there is joint control and if there is a joint venture, a joint operation or another form of interest. The Group intends to adopt IFRS 12 from 1 January 2014.

Principles of consolidation

Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

Jointly controlled entities

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

These jointly controlled entities will be accounted for in accordance with IFRS 11 joint arrangements, effective from 1 January 2014 and will be accounted for using the equity method. The effect of the change in the accounting policy on the 2013 income statement and the balance sheet at 31 December 2013 of the Group is shown below. The change in accounting policy will not have any impact on earnings per share.

MUSD	2013 Reported	Effect of IFRS 11[1]	2013 Restated
Income statement			
Revenue	1,195.8	-63.8	1,132.0
Operating costs	-824.8	63.5	-761.3
Operating result	371.0	-0.3	370.7
Financial items	-83.0	0.5	-82.5
Result from investment in associated company	–	-0.2	-0.2
Profit before tax	288.0	–	288.0
Tax	-215.1	–	-215.1
Net result	72.9	–	72.9
Balance sheet			
Non-current assets	3,996.1	-31.1	3,965.0
Investment in associated company	–	24.6	24.6
Current assets	378.4	-16.4	362.0
Total assets	4,374.5	-22.9	4,351.6
Equity	1,266.8	–	1,266.8
Non-current liabilities	2,615.3	-15.8	2,599.5
Current liabilities	492.4	-7.1	485.3
Total liabilities and equity	4,374.5	-22.9	4,351.6

[1]RF Energy group will be accounted for as a joint venture using the equity method.

Jointly controlled assets

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

Associated companies

An investment in an associated company is an investment in an undertaking where the Group exercises significant influence but not control, generally accompanying a shareholding of at least 20 percent but not more than 50 percent of the voting rights. Such investments are accounted for in the consolidated financial statements in accordance with the equity method and are initially recognised at cost.

Other shares and participations

Investments where the shareholding is less than 20 percent of the voting rights are treated as available for sale financial assets. If the value of these assets has declined significantly or has lasted for a longer period, the cumulative loss is removed from equity and an impairment charge is recognised in the income statement. Dividends received attributable to these assets is recognised in the income statement as part of net financial items.

Foreign currencies

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

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and foreign exchange currency differences are recognised in the income statement. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Exchange differences are included in financial income/expenses in the income statement except deferred exchange differences on qualifying cash flow hedges which are recorded in other comprehensive income.

Presentation currency

The balance sheets and income statements of foreign Group companies are translated for consolidation purposes using the current rate method. All assets and liabilities are translated at the balance sheet date rates of exchange, whereas the income statements are translated at average rates of exchange for the year, except for transactions where it is more relevant to use the rate of the day of the transaction. The translation differences which arise are recorded directly in the foreign currency translation reserve within other comprehensive income. Upon disposal of a foreign operation the translation differences relating to that operation will be transferred from equity to the income statement and included in the result on sale. Translation differences arising from net investments in subsidiaries, used for financing exploration activities, are recorded directly in other comprehensive income.

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

	2013 Average	2013 Period end	2012 Average	2012 Period end
1 USD equals NOK	5.8753	6.0837	5.8148	5.5639
1 USD equals EUR	0.7529	0.7251	0.7778	0.7579
1 USD equals RUR	31.8675	32.8653	31.0546	30.5665
1 USD equals SEK	6.5132	6.4238	6.7725	6.5045

Classification of assets and liabilities

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

Oil and gas properties

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

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

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

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimates.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Proceeds from the sale or farm-out of oil and gas concessions in the exploration stage are offset against the related capitalised costs of each cost centre with any excess of net proceeds over all costs capitalised included in the income statement. In the event of a sale in the exploration stage, any deficit is included in the income statement.

Impairment tests are performed annually or when there are facts and circumstances that suggest that the carrying value of an asset capitalised costs within each field area cost centre less any provision for site restoration costs, royalties and deferred production or revenue related taxes is higher than the anticipated future net cash flow from oil and gas reserves attributable to the Group's interest in the related field areas. Capitalised costs cannot be carried unless those costs can be supported by future cash flows from that asset. Provision is made for any impairment, where the net carrying value, according to the above, exceeds the recoverable amount, which is the higher of value in use and fair value less costs to sell, determined through estimated future discounted net cash flows using prices and cost levels used by Group management in their internal forecasting. If there is no decision to continue with a field specific exploration programme, the costs will be expensed at the time the decision is made.

Other tangible assets

Other tangible assets are stated at cost less accumulated depreciation. Depreciation is based on cost and is calculated on a straight line basis over the estimated economic life of 20 years for real estate and 3 to 5 years for office equipment and other assets. The FPSO vessel will be depreciated over its remaining useful life once the upgrade of the vessel has been completed.

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

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

Impairment of assets excluding oil and gas properties

At each balance sheet date the Group assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or when impairment testing for an asset is required, the Group makes a formal assessment of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is calculated by discounting estimated future cash flows to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When the recoverable amount is less than the carrying value an impairment loss is recognised with the expensed charge to the income statement. If indications exist that previously recognised impairment losses no longer exist or are decreased, the recoverable amount is estimated. When a previously recognised impairment loss is reversed the carrying amount of the asset is increased to the estimated recoverable amount but the increased carrying amount may not exceed the carrying amount after depreciation that would have been determined had no impairment loss been recognised for the asset in prior years.

Financial instruments

Assets and liabilities are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost unless stated otherwise. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Lundin Petroleum recognises the following financial instruments:

- Loans and receivables are carried at amortised cost using the effective interest method less provision for impairment. Translation differences are reported in the income statement except for the translation differences arising from long-term loans to subsidiaries used for financing exploration activities and for which no fixed terms of repayment exists, which are recorded directly in other comprehensive income.

- Other shares and participations (available for sale financial assets) are valued at fair value and any change in fair value is recorded directly in the fair value reserve within other comprehensive income until realised. Where other shares and participations do not have a quoted market price in an active market and whose fair value cannot be measured reliably, they are accounted for at cost less impairment if applicable. A gain or a loss on available for sale financial assets shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses until the financial asset is derecognised.

- Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When derivatives do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement.

The Group has only cash flow hedges which qualify for hedge accounting. The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in other comprehensive income are transferred to the income statement in the period when the hedged item will affect the income statement. When a hedging instrument no longer meets the requirements for hedge accounting, expires or is sold, any accumulated gain or loss recognised in other comprehensive income remains in shareholders' equity until the forecast transaction no longer is expected to occur, at which point it is transferred to the income statement.

Inventories

Inventories of consumable well supplies are stated at the lower of cost and net realisable value, cost being determined on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories of hydrocarbons are stated at the lower of cost and net realisable value. Under or overlifted positions of hydrocarbons are valued at market prices prevailing at the balance sheet date. An underlift of production from a field is included in the current receivables and valued at the reporting date spot price or prevailing contract price and an overlift of production from a field is included in the current liabilities and valued at the reporting date spot price or prevailing contract price. From 1 January 2013, the change in the over or underlift position is reflected in the income statement as revenue.

Cash and cash equivalents

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

Equity

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

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

The change in fair value of other shares and participations is accounted for in the fair value reserve. Upon the realisation of a change in value, the change in fair value recorded will be transferred to the income statement. The change in fair value of hedging instruments which qualify for hedge accounting is accounted for in the hedge reserve. Upon settlement of the hedge instrument, the change in fair value remains in other comprehensive income until the hedged item effects the income statement. The currency translation reserve contains unrealised translation differences due to the conversion of the functional currencies into the presentation currency.

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

Provisions

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

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

On fields where the Group is required to contribute to site restoration costs, a provision is recorded to recognise the future commitment. An asset is created, as part of the oil and gas property, to represent the discounted value of the anticipated site restoration liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognises the discounted value of the future liability. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to financial expenses. Changes in site restoration costs and reserves are treated prospectively and consistent with the treatment applied upon initial recognition.

Borrowings

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

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

Revenue

Revenues from the sale of oil and gas are recognised in the income statement net of royalties taken in kind. Sales of oil and gas are recognised upon delivery of products and customer acceptance or on performance of services. Incidental revenues from the production of oil and gas are offset against capitalised costs of the related cost centre until quantities of proven and probable reserves are determined and commercial production has commenced. From 1 January 2013, the change in the over or underlift position is reflected in the income statement as revenue.

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

The fiscal regime in the area of operations defines whether royalties are payable in cash or in kind. Royalties payable in cash are accrued in the accounting period in which the liability arises. Royalties taken in kind are subtracted from production for the period to which they relate.

Borrowing costs

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

Employee benefits

Short-term employee benefits

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

Pension obligations

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

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

Share-based payments

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

Income taxes

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

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

Deferred income tax is a non-cash charge provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values. Temporary differences can occur for example where investment expenditure is capitalised for accounting purposes but the tax deduction is accelerated or where site restoration costs are provided for in the financial statements but not deductible for tax purposes until they are actually incurred. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are offset against deferred tax liabilities in the balance sheet where they relate to the same jurisdiction in accordance with IAS 12.

Segment reporting

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

Critical accounting estimates and judgements

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

Estimates in oil and gas reserves

Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and site restoration. Standard recognised evaluation techniques are used to estimate the proved and probable reserves. These techniques take into account the future level of development required to produce the reserves. An independent reserves auditor reviews these estimates. See page 126 Reserve quantity Information. Changes in estimates in oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method. Changes in estimates in oil and gas reserves could for example result from additional drilling, observation of long-term reservoir performance or changes in economic factors such as oil price and inflation rates.

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

Impairment of oil and gas properties

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

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

Provision for site restoration

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

The effects of changes in estimates do not give rise to prior year adjustments and are treated prospectively over the estimated remaining commercial reserves of each field. While the Group uses its best estimates and judgement, actual results could differ from these estimates.

Information about the carrying amounts of the Provision for site restoration is presented in Note 19.

Events after the balance sheet date

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

Notes to the Financial Statements
of the Group

Note 1 – Revenue

MUSD	2013	2012
Crude Oil	1,060.8	1,169.0
Condensate	3.4	3.3
Gas	160.0	147.2
Net sales of oil and gas	**1,224.2**	1,319.5
Change in over/under lift position	-45.2	30.7
Other operating income	16.8	25.6
	1,195.8	1,375.8

The reclassification of the change in under/over lift from production costs to revenue is effective from 1 January 2013 and the comparative revenue has been restated from MUSD 1,345.1.

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

Note 2 – Production Costs

MUSD	2013	2012
Cost of operations	114.6	105.6
Tariff and transportation expenses	25.7	29.7
Direct production taxes	44.0	51.3
Change in inventory position	-2.0	14.8
Other	13.5	1.8
	195.8	203.2

The reclassification of the change in under/over lift from production costs to revenue is effective from 1 January 2013 and the comparative production costs have been restated from MUSD 172.5.

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

Note 3 – Segment Information

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

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

Revenues are derived from various external customers. There were no intercompany sales or purchases in the year or in the previous year, and therefore there are no reconciling items towards the amounts stated in the income statement. Within each segment, revenues from transactions with a single external customer amount to ten percent or more of revenue for that segment. 70 percent of the total revenue is contracted with one customer. The Parent Company is included in other.

MUSD	2013	2012
Norway		
Crude oil	886.6	953.4
Condensate	2.0	2.3
Gas	98.5	94.9
Net sales of oil and gas	**987.1**	1,050.6
Change in under/over lift position	-47.0	31.4
Other revenue	5.6	6.5
Revenue	**945.7**	1,088.5
Production costs	-85.1	-65.5
Depletion and decommissioning costs[1]	-130.2	-154.1
Exploration costs	-285.4	-103.1
Impairment costs of oil and gas properties	-81.7	-205.8
Gross profit	**363.3**	560.0

continued – Note 3

MUSD	2013	2012
France		
Crude oil	110.2	115.0
Net sales of oil and gas	**110.2**	115.0
Change in under/over lift position	-0.4	–
Other revenue	2.2	2.6
Revenue	**112.0**	117.6
Production costs	-34.3	-29.9
Depletion and decommissioning costs	-12.5	-11.7
Exploration costs	-0.2	-5.0
Gross profit	**65.0**	71.0
Netherlands		
Crude oil	0.2	0.2
Condensate	1.4	1.0
Gas	44.6	41.4
Net sales of oil and gas	**46.2**	42.6
Change in under/over lift position	2.2	-0.7
Other revenue	1.7	12.2
Revenue	**50.1**	54.1
Production costs	-14.7	-12.4
Depletion and decommissioning costs	-15.0	-10.4
Exploration costs	-1.3	-0.6
Gross profit	**19.1**	30.7
Indonesia		
Gas	16.9	10.9
Net sales of oil and gas	**16.9**	10.9
Change in under/over lift position	–	–
Revenue	**16.9**	10.9
Production costs	-5.0	-5.5
Depletion and decommissioning costs	-11.4	-5.6
Exploration costs	-0.4	-7.4
Gross profit	**0.1**	-7.6
Russia		
Crude oil	63.8	75.8
Net sales of oil and gas	**63.8**	75.8
Revenue	**63.8**	75.8
Production costs	-56.3	-65.2
Depletion and decommissioning costs	-4.9	-4.3
Impairment costs of oil and gas properties	–	-31.7
Gross profit	**2.6**	-25.4
Other		
Crude oil[2]	–	24.6
Net sales of oil and gas	–	24.6
Other revenue	7.3	4.3
Revenue	**7.3**	28.9
Production costs	-0.4	-24.7
Depletion and decommissioning costs	-0.2	-5.3
Exploration costs[3]	-0.5	-52.3
Impairment costs of oil and gas properties[4]	-41.7	–
Gross profit	**-35.5**	-53.4

continued – Note 3

MUSD	2013	2012
Total		
Crude oil	1,060.8	1,169.0
Condensate	3.4	3.3
Gas	160.0	147.2
Net sales of oil and gas	**1,224.2**	1,319.5
Change in under/over lift position	-45.2	30.7
Other revenue	16.8	25.6
Revenue	**1,195.8**	1,375.8
Production costs	-195.8	-203.2
Depletion and decommissioning costs	-174.2	-191.4
Exploration costs	-287.8	-168.4
Impairment costs of oil and gas properties	-123.4	-237.5
Gross profit	**414.6**	575.3

[1] Includes decommissioning costs for Norway of MUSD 13.3 relating to a change in estimates of the Gaupe field site restoration.
[2] Net sales of crude oil related to Tunisia in the comparative period.
[3] Exploration costs in 2012 related mainly to Malaysia and amounted to MUSD 46.7.
[4] Impairment costs of oil and gas properties have been booked during the year relating to Malaysia.

	Assets		Equity and Liabilities	
MUSD	2013	2012	2013	2012
Norway	2,975.9	1,942.8	2,542.7	1,221.1
France	258.3	279.6	92.2	87.2
Netherlands	105.8	112.8	1,397.1	555.4
Indonesia	123.4	108.2	21.4	16.3
Russia	607.9	619.0	116.0	112.5
Malaysia	265.1	197.8	26.8	33.1
Sweden	1.8	0.7	8.8	7.0
Other	1,147.8	603.8	14.2	582.0
Intercompany balance elimination	-1,111.5	-571.0	-1,111.5	-571.0
Assets/Liabilities per country	**4,374.5**	3,293.7	**3,107.7**	2,043.6
Shareholders' equity	N/A	N/A	1,207.2	1,182.4
Non-controlling interest	N/A	N/A	59.6	67.7
Total equity for the Group	**N/A**	N/A	**1,266.8**	1,250.1
Total consolidated	**4,374.5**	3,293.7	**4,374.5**	3,293.7

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

For further information on revenue, production costs, depletion and decommissioning costs, exploration costs, impairment costs of oil and gas properties see the Directors Report on pages 79 – 80.

Note 4 – Financial Income

MUSD	2013	2012
Interest income	2.3	5.1
Foreign currency exchange gain, net	–	6.2
Gain on consolidation of a subsidiary	–	13.4
Guarantee fees	0.5	0.2
Other	0.5	2.4
	3.3	27.3

Note 5 – Financial Expenses

MUSD	2013	2012
Interest expense	5.3	6.8
Foreign currency exchange loss, net	46.5	–
Result on interest rate hedge settlement	1.5	0.2
Unwinding of site restoration discount	6.1	5.1
Amortisation of deferred financing fees	8.7	6.6
Loan facility commitment fees	17.1	10.3
Impairment of other shares	–	18.6
Other	1.1	0.9
	86.3	48.5

During 2013, MUSD 18.2 (MUSD 3.4) of interest was capitalised relating to Norwegian development projects.

Exchange rate variations result primarily from fluctuations in the value of the USD currency against a pool of currencies which includes, amongst others, EUR, NOK and the Russian Rouble (RUR). Lundin Petroleum has USD denominated debt recorded in subsidiaries using a functional currency other than USD. The foreign currency exchange loss, net includes a realised exchange gain of MUSD 5.5 (MUSD 11.7) on settled foreign exchange hedges.

Note 6 – Income Taxes

Tax charge MUSD	2013	2012
Current tax		
Norway	2.9	311.8
France	19.2	21.7
Netherlands	3.5	5.9
Indonesia	-1.7	0.6
Russia	-0.2	0.8
Other	0.8	0.5
	24.5	341.3
Deferred tax		
Norway	196.2	80.4
France	4.7	2.3
Netherlands	-9.8	2.2
Indonesia	1.6	-1.9
Russia	–	-2.9
Malaysia	-2.2	-3.0
	190.6	77.1
Total tax	**215.1**	418.4

For further information on income taxes, see the Directors Report on page 81.

continued – Note 6

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

MUSD	2013	2012
Profit before tax	288.0	522.3
Tax calculated at the corporate tax rate in Sweden 22% (26.3%)	-63.4	-137.3
Effect of foreign tax rates	-179.9	-282.6
Tax effect of expenses non-deductible for tax purposes	-33.9	-25.9
Tax effect of deduction for petroleum tax	55.8	22.5
Tax effect of income not subject to tax	–	4.4
Tax effect of utilisation of unrecorded tax losses	13.2	8.3
Tax effect of creation of unrecorded tax losses	-7.4	-7.8
Adjustments to prior year tax assessments	0.5	–
Tax charge	**-215.1**	-418.4

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

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

	2013			2012		
MUSD	Before tax	Tax charge/ credit	After tax	Before tax	Tax charge/ credit	After tax
Exchange differences on foreign operations	-31.7	–	-31.7	61.6	–	61.6
Cash flow hedges	-8.1	1.9	-6.2	9.2	-2.3	6.9
Available for sale financial assets	1.9	–	1.9	16.1	–	16.1
Other comprehensive income	**-37.9**	**1.9**	**-36.0**	86.9	-2.3	84.6
Current tax		–			–	
Deferred tax		1.9			-2.3	
		1.9			-2.3	

The deferred tax income amounting to MUSD 1.9 (MUSD 2.3 charge) has been recorded directly in other comprehensive income.

Corporation tax liability – current and deferred	Current		Deferred	
MUSD	2013	2012	2013	2012
Norway	3.6	163.6	924.6	802.8
France	–	–	43.1	36.7
Netherlands	0.2	2.5	5.2	8.0
Indonesia	–	1.7	7.1	6.1
Russia	0.7	0.6	78.3	77.1
Malaysia	–	–	9.2	11.4
Other	0.2	1.5	0.1	0.1
Total tax liability	**4.7**	170.0	**1,067.6**	942.2

There is also a tax receivable of MUSD 6.5 (MUSD 4.0) relating to France reported in other receivables at the end of the year, see Note 16.

continued – Note 6

Specification of deferred tax assets and tax liabilities [1] MUSD	2013	2012
Deferred tax assets		
Unused tax loss carry forwards	102.3	13.8
Overlift position	18.8	–
Fair value of financial instruments	–	–
Other deductible temporary differences	19.9	8.7
	141.0	22.5
Deferred tax liabilities		
Accelerated allowances	1,095.4	867.4
Fair value on derivative instruments	–	2.3
Capitalised acquisition cost	0.2	0.1
Deferred tax on excess values	90.6	81.6
Other taxable temporary differences	–	–
	1,186.2	951.4

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

The deferred tax asset is primarily relating to tax loss carried forwards in the Netherlands for an amount of MUSD 30.9 (MUSD 12.6) and unused uplift carry forward in Norway of MUSD 59.4 (MUSD –). Deferred tax assets in relation to tax loss carried forwards are only recognised in so far that there is a reasonable certainty as to the timing and the extent of their realisation.

The deferred tax liability arises mainly on accelerated allowances, being the difference between the book and the tax value of oil and gas properties primarily in Norway, and tax on the excess value of the acquired assets in Russia. The deferred tax liability will be released over the life of the assets as the book value is depleted for accounting purposes.

Unrecognised tax losses

The Group has Dutch tax loss carry forwards of approximately MUSD 181 (MUSD 161). The tax losses can be carried forward and utilised for up to 9 years. A deferred tax asset relating to MUSD 57 (MUSD 110) of the tax loss carry forwards has not been recognised as at 31 December 2013 due to the uncertainty as to the timing and the extent of the tax loss carry forward utilisation. This treatment is consistent with the comparative year's accounts.

Note 7 – Oil and Gas Properties

MUSD	31 December 2013	31 December 2012
Production cost pools	716.5	857.0
Non-production cost pools	3,135.4	2,007.4
	3,851.9	2,864.4

2013 production cost pools MUSD	Norway	France	Netherlands	Indonesia	Russia	Tunisia	Total
Cost							
1 January	1,221.0	317.7	137.0	68.3	108.5	–	1,852.5
Additions	14.3	7.0	4.8	-1.9	3.6	–	27.8
Disposals	–	–	–	–	–	–	–
Change in estimates	14.7	1.0	2.7	–	–	–	18.4
Reclassifications	–	6.8	–	–	–	–	6.8
Currency translation difference	-103.8	14.9	6.2	–	-3.8	–	-86.5
31 December	1,146.2	347.4	150.7	66.4	108.3	–	1,819.0
Depletion							
1 January	-718.5	-113.0	-76.3	-16.0	-71.7	–	-995.5
Depletion charge for the year	-117.2	-12.5	-15.0	-11.4	-4.9	–	-160.9
Impairment	–	–	-1.3	–	–	–	-1.3
Currency translation difference	64.5	-5.3	-4.0	–	–	–	55.2
31 December	-771.1	-130.8	-96.6	-27.4	-76.6	–	-1,102.5
Net book value	**375.1**	**216.6**	**54.1**	**39.0**	**31.7**	**–**	**716.5**

continued – Note 7

2012 production cost pools, MUSD	Norway	France	Netherlands	Indonesia	Russia	Tunisia	Total
Cost							
1 January	792.0	265.7	105.1	68.7	98.2	105.9	1,435.6
Additions	112.3	29.2	8.5	-0.4	7.5	–	157.1
Disposals	–	-1.4	–	–	–	-105.9	-107.3
Change in estimates	21.3	18.1	21.2	–	1.2	–	61.8
Reclassifications	229.4	–	–	–	–	–	229.4
Currency translation difference	66.0	6.1	2.2	–	1.6	–	75.9
31 December	1,221.0	317.7	137.0	68.3	108.5	–	1,852.5
Depletion							
1 January	-326.3	-100.4	-64.5	-10.4	-35.6	-105.9	-643.1
Depletion charge for the year	-154.1	-11.7	-10.4	-5.6	-4.3	–	-186.1
Impairment	-205.8	–	–	–	-31.7	–	-237.5
Disposals	–	1.3	–	–	–	105.9	107.2
Currency translation difference	-32.3	-2.2	-1.4	–	-0.1	–	-36.0
31 December	-718.5	-113.0	-76.3	-16.0	-71.7	–	-995.5
Net book value	**502.5**	**204.7**	**60.6**	**52.3**	**36.8**	**–**	**857.0**

2013 non production cost pools, MUSD	Norway	France	Netherlands	Indonesia	Russia	Malaysia	Other	Total
1 January	1,199.7	12.2	5.1	44.6	562.4	183.4	–	2,007.4
Additions	1,598.1	2.4	0.6	18.5	6.0	48.7	–	1,674.4
Disposals	–	–	–	–	–	–	–	–
Expensed Exploration costs	-285.4	-0.2	–	-0.4	–	-0.5	–	-286.5
Impairment	-81.7	–	–	–	–	-41.7	–	-123.4
Change in estimates	25.1	–	–	–	–	–	–	25.1
Reclassifications	–	-6.8	–	–	–	–	–	-6.8
Currency translation difference	-145.3	0.3	0.3	–	-10.0	–	–	-154.7
31 December	**2,310.5**	**7.9**	**6.0**	**62.7**	**558.4**	**189.9**	**–**	**3,135.4**

2012 non production cost pools, MUSD	Norway	France	Netherlands	Indonesia	Russia	Malaysia	Other	Total
1 January	804.1	7.1	3.1	35.8	552.5	129.8	4.4	1,536.8
Additions	630.5	9.8	2.5	16.4	3.6	100.5	1.3	764.6
Disposals	–	–	–	–	-1.0	–	–	-1.0
Expensed Exploration costs	-103.1	-5.0	-0.6	-7.4	–	-46.7	-5.6	-168.4
Change in estimates	11.8	–	–	–	–	–	–	11.8
Reclassifications	-229.4	–	–	–	–	–	–	-229.4
Currency translation difference	85.8	0.3	0.1	-0.2	7.3	-0.2	-0.1	93.0
31 December	**1,199.7**	**12.2**	**5.1**	**44.6**	**562.4**	**183.4**	**–**	**2,007.4**

In 2012, the reclassification from Non-Production cost pools to Production cost pools related to the production start-up on the Gaupe field, Norway.

Impairment
Lundin Petroleum carried out its impairment testing at 31 December 2013 in conjunction with the annual reserves audit process. Lundin Petroleum used an oil price deck of USD 100 (USD 100) per bbl inflating at 2% (2%) per annum, a future cost inflation factor of 2% (2%) per annum and a discount rate of 8% (10%) to calculate the future post-tax cash flows. As a result of the impairment testing performed, the carrying values of the Janglau and Ara discoveries on PM308A, Malaysia, were fully expensed in 2013 for an amount of MUSD 41.7 (MUSD –). In addition, impairment costs of MUSD 81.7 which related to the gas discoveries on PL438 Skalle, PL533 Salina and PL088 Peik, Norway, were expensed as they are currently deemed uncommercial. For further information on impairment, see the Directors Report on page 80.

Capitalised borrowing costs
During 2013, MUSD 18.2 (MUSD 3.4) of capitalised interest costs were added to oil and gas properties and relate to Norwegian development projects. The interest rate for capitalised borrowing costs is calculated at the external facility borrowing rate of LIBOR plus the margin of 2.75% per annum.

Exploration expenditure commitments
The Group participates in joint ventures with third parties in oil and gas exploration activities. The Group is contractually committed under various concession agreements to complete certain exploration programmes. The commitments as at 31 December 2013 are estimated to be MUSD 490.7 (MUSD 935.7) of which third parties who are joint venture partners will contribute approximately MUSD 224.4 (MUSD 491.5).

Note 8 – Other Tangible Assets

	2013				2012			
MUSD	FPSO	Real estate	Other	Total	FPSO	Real estate	Other	Total
Cost								
1 January	32.5	11.3	22.2	66.0	–	11.1	17.9	29.0
Acquired on consolidation	–	–	12.7	12.7	25.2	–	–	25.2
Additions	29.8	–	6.4	36.2	6.0	0.1	3.6	9.7
Disposals			-0.1	-0.1	–	–	-0.2	-0.2
Currency translation difference	1.1	–	-1.1	–	1.3	0.1	0.9	2.3
31 December	63.4	11.3	40.1	114.8	32.5	11.3	22.2	66.0
Depreciation								
1 January	–	-1.6	-15.0	-16.6	–	-1.4	-11.6	-13.0
Disposals	–	–	–	–	–	–	0.2	0.2
Acquired on consolidation	–	–	-9.6	-9.6	–	–	–	–
Depreciation charge for the year	–	-0.1	-4.3	-4.4	–	-0.1	-3.0	-3.1
Currency translation difference	–	0.1	0.7	0.8	–	-0.1	-0.6	-0.5
31 December	–	-1.6	-28.2	-29.8	–	-1.6	-15.0	-16.6
Net book value	**63.4**	**9.7**	**11.9**	**85.0**	32.5	9.7	7.2	49.4

The depreciation charge for the year is based on cost and an estimated useful life of 3 to 5 years for office equipment and other assets. Real estate is depreciated using an estimated useful life of 20 years and taking into account its residual value. Depreciation is included within the general, administration and depreciation line in the income statement.

The FPSO will be depreciated over its remaining useful life once the upgrade of the vessel has been completed. For further information on FPSO, see the Directors Report on page 82.

Note 9 – Shares in Jointly Controlled Entities and Associated Companies

As at 31 December 2013	Number of shares	Share %
RF Energy Investments Ltd. [1]	11,540	50
– CJSC Pechoraneftegas [1]	20,000	Direct 100, indirect 50
– LLC Zapolyarneftegas [1]	1	Direct 100, indirect 50
– LLC NK Recher-Komi [1]	1	Direct 100, indirect 50
– Geotundra BV [1]	20,000	Direct 100, indirect 50

[1] Through the proportional consolidation of RF Energy Investments Ltd. (RF Energy), the subsidiaries of RF Energy are also proportionally consolidated in the Lundin Petroleum accounts. From 1 January 2014, Lundin Petroleum will adopt IFRS 11 joint arrangements and RF Energy and its subsidiaries will be equity accounted for.
"Direct" refers to RF Energy's ownership percentage, "indirect" refers to the Group's ultimate ownership percentage.

The amounts included below for the jointly controlled entity RF Energy represent 100 percent of the reported accounts.

RF Energy consolidated MUSD	2013	2012
Income statement		
Revenue	127.7	151.6
Operating cost	-128.0	-197.9
Net result	**-0.3**	-46.3
Balance Sheet		
Non-current assets	62.1	72.4
Current assets	32.8	35.2
Total assets	**94.9**	107.6
Equity	49.2	54.0
Non-current liabilities	31.6	37.8
Current liabilities	14.1	15.8
Total liabilities	**94.9**	107.6

Note 10 – Other Shares and Participations

	31 Dec 2013			31 Dec 2012
Other shares and participations comprise:	Number of shares	Share %	Book amount MUSD	Book amount MUSD
ShaMaran Petroleum Corp.	50,000,000	8.02	21.6	19.6
Cofraland B.V.	31	7.75	0.4	0.4
			22.0	20.0

In October 2009, Lundin Petroleum received 50 million shares of ShaMaran Petroleum Corp. (ShaMaran) in consideration for the sale of Lundin International BV (LIBV), a 100% owned subsidiary, which had commenced negotiations for Production Sharing Contracts (PSCs) relating to exploration and development blocks in Kurdistan. The investment was booked at the fair value of the shares at the date of acquisition and under accounting rules, any subsequent movement in the fair value of the shares is being recorded in the consolidated statement of comprehensive income.

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

ShaMaran Petroleum Corp. MUSD	2013	2012
1 January	19.6	17.4
Fair value movement	1.5	16.3
Currency translation difference	0.5	4.5
Impairment	–	-18.6
31 December	**21.6**	19.6

As at 31 December 2013, the other shares and participations include MUSD 0.4 (MUSD 0.4) recognised at cost because their fair value cannot be measured reliably since there is no quoted share price and due to the uncertainty of the timing of the future cash flows from these companies.

Note 11 – Financial Risks, Sensitivity Analysis and Derivative Instruments

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

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

No significant changes were made in the objectives, policies or processes during the year ended 31 December 2013.

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

MUSD	31 December 2013	31 December 2012
Bank loans	1,275.0	432.0
Less cash and cash equivalents	-92.7	-97.4
Net debt	**1,182.3**	334.6

The increase compared to 2012 is mainly due to the funding of the Norwegian development activities.

Interest rate risk
Interest rate risk is the risk to the earnings due to uncertain future interest rates.

Lundin Petroleum is exposed to interest rate risk through the credit facility (see also liquidity risk below). Lundin Petroleum will assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the Group, then Lundin Petroleum may choose to enter into an interest hedge.

continued – Note 11

The table below summarises the effect that a change in the interest rate for the credit facility would have had on the net result and equity for the year ended 31 December 2013:

Net result in the financial statements (MUSD)	72.9	72.9
Possible shift (basis points)	-150	150
Total effect on net result (MUSD)	1.4	-1.4

In the first quarter of 2013, Lundin Petroleum entered into a three year fixed interest rate swap, starting 31 March 2013, in respect of MUSD 500 of borrowings, fixing the LIBOR rate at approximately 0.57 percent per annum. Further interest rate hedges were entered into in March 2014, see Note 34 Subsequent Events.

Currency risk
Lundin Petroleum is a Swedish company which is operating globally and therefore attracts substantial foreign exchange exposure, both transactional as well as conversion from functional currency to presentation currency. The functional currency of Lundin Petroleum's subsidiaries are Norwegian Kroner (NOK), Euro (EUR) and Russian Rouble (RUR), as well as US Dollar, making Lundin Petroleum sensitive to fluctuations of these currencies against the US Dollar, the presentation currency.

Transaction exposure
Lundin Petroleum's policy on the currency rate hedging is, in case of currency exposure, to consider setting the rate of exchange for known costs in non-US Dollar currencies to US Dollars in advance so that future US Dollar cost levels can be forecasted with a reasonable degree of certainty. The Group will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge.

The Group entered into currency hedging contracts fixing the rate of exchange from USD into NOK to meet NOK operational and tax requirements as summarised in the table below. Under IAS 39, subject to hedge effectiveness testing, all of the hedges are treated as effective and changes to the fair value are reflected in other comprehensive income. At 31 December 2013, a current asset amounting to MUSD 3.2 (MUSD 9.1) and a non-current asset of MUSD 3.0 (MUSD —) has been recognised representing the fair value of part of the currency hedging contracts. The comparative period short term current asset related to currency hedge contracts. In addition, a current liability of MUSD 4.0 (MUSD —) and a non-current liability of MUSD 1.6 (MUSD —) has been recognised representing the fair value of the outstanding currency and interest rate hedges.

Buy	Sell	Average contractual exchange rate	Settlement period
MNOK 1,537.6	MUSD 256.1	NOK 6.00: USD 1	2 Jan – 20 Dec 2013
MNOK 2,162.1	MUSD 353.9	NOK 6.11: USD 1	21 Jan – 28 Dec 2014
MNOK 1,200.6	MUSD 191.9	NOK 6.26: USD 1	21 Jan – 21 Dec 2015

Further currency rate hedges were entered into in the first quarter of 2014, see Note 34 Subsequent Events.

Translation exposure
The following table summarises the effect that a change in these currencies against the US Dollar would have on operating profit through the conversion of the income statements of the Group's subsidiaries from functional currency to the presentation currency US Dollar for the year ended 31 December 2013.

Operating profit in the financial statements (MUSD)		**371.0**	**371.0**
Shift of currency exchange rates	Average rate 2013	10% USD weakening	10% USD strengthening
EUR/USD	0.7529	0.6845	0.8282
NOK/USD	5.8753	5.3412	6.4628
RUR/USD	31.8675	28.9705	35.0543
CHF/USD	0.9268	0.8425	1.0195
Total effect on operating profit (MUSD)		**38.5**	**-38.5**

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

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

continued – Note 11

The table below summarises the effect that a change in the oil price would have had on the net result and equity at 31 December 2013:

Net result in the financial statements (MUSD)	**72.9**	**72.9**
Possible shift	-10%	10%
Total effect on net result (MUSD)	**-33.8**	**33.8**

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

Lundin Petroleum's policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances, Lundin Petroleum will assess the benefits of forward hedging monthly sales contracts for the purpose of establishing cash flow. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge.

For the year ended 31 December 2013, the Group did not enter into oil price hedging contracts. There are no oil price hedging contracts outstanding as at 31 December 2013.

Credit risk

Lundin Petroleum's policy is to limit credit risk by limiting the counter-parties to major banks and oil companies. Where it is determined that there is a credit risk for oil and gas sales, the policy is to require an irrevocable letter of credit for the full value of the sale. The policy on joint venture parties is to rely on the provisions of the underlying joint operating agreements to take possession of the licence or the joint venture partner's share of production for non-payment of cash calls or other amounts due.

As at 31 December 2013, the Group's trade receivables amounted to 128.9 (MUSD 125.9). There is no recent history of default. Other long-term and short-term receivables are considered recoverable. The provision for bad debt as at 31 December 2013 amounted to MUSD — (MUSD —). Cash and cash equivalents are maintained with banks having strong long-term credit ratings.

Liquidity risk

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

On 25 June 2012, Lundin Petroleum entered into a seven year senior secured revolving borrowing base facility of USD 2.5 billion to provide funding for Lundin Petroleum's ongoing exploration expenditure and development costs, particularly in Norway. This facility was increased to USD 4.0 billion in February 2014. It is expected that the Group's ongoing development and exploration expenditure requirements will be funded by the Group's operating cash flow and the loan facility. No loan repayments are required for the credit facility in 2014. See Note 22 for more information regarding the Group's credit facility.

Lundin Petroleum has, through its subsidiary Lundin Malaysia BV, entered into Production Sharing Contracts (PSC) with Petroliam Nasional Berhad, the oil and gas company of the Government of Malaysia (Petronas). Bank guarantees have been issued in support of the work commitments in relation to these PSCs and the outstanding amount of the bank guarantees at 31 December was MUSD 11.9 (MUSD 75.4).

continued – Note 11

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

31 December 2013 MUSD	Loan receivables and other receivables	Available for sale	Derivatives used for hedging	Financial liabilities valued at amortised cost
Assets				
Other shares and participations	–	22.0	–	–
Bonds	10.4	–	–	–
Derivative instruments	–	–	6.2	–
Trade receivables	128.9	–	–	–
Joint venture debtors	25.2	–	–	–
Cash and cash equivalents	92.7	–	–	–
	257.2	**22.0**	**6.2**	**–**
Liabilities				
Trade Payables	–	–	–	19.4
Joint venture creditors	–	–	–	334.5
Bank loans	–	–	–	1,275.0
Derivative instruments	–	–	5.6	–
Other non-current liabilities	–	–	–	24.9
	–	**–**	**5.6**	**1,653.8**

31 December 2012 MUSD	Loan receivables and other receivables	Available for sale	Derivatives used for hedging	Financial liabilities valued at amortised cost
Assets				
Other shares and participations	–	20.0	–	–
Bonds	9.5	–	–	–
Derivative instruments	–	–	9.1	–
Trade receivables	125.9	–	–	–
Joint venture debtors	11.5	–	–	–
Cash and cash equivalents	97.4	–	–	–
	244.3	**20.0**	**9.1**	**–**
Liabilities				
Trade Payables	–	–	–	15.7
Joint venture creditors	–	–	–	209.6
Bank loans	–	–	–	432.0
Other non-current liabilities	–	–	–	22.6
	–	**–**	**–**	**679.9**

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

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

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

continued – Note 11

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

31 December 2013 MUSD	Level 1	Level 2	Level 3
Assets			
Available for sale financial assets			
- Other shares and participations	21.6	–	0.4
- Bonds	10.4	–	–
- Derivative instruments	–	6.2	–
	32.0	**6.2**	**0.4**
Liabilities			
- Derivative instruments	–	5.6	–
	–	**5.6**	–

31 December 2012 MUSD	Level 1	Level 2	Level 3
Assets			
Available for sale financial assets			
- Other shares and participations	19.6	–	0.4
- Bonds	9.5	–	–
- Derivative instruments	–	9.1	–
	29.1	**9.1**	**0.4**
Liabilities			
- Derivative instruments	–	–	–
	–	–	–

Other shares and participations Level 3 MUSD	2013	2012
1 January	0.4	0.4
Disposal	–	–
Currency translation difference	–	–
31 December	**0.4**	0.4

The outstanding derivative instruments can be specified as follows:

Fair value of outstanding derivative instruments in the balance sheet (MUSD)	31 December 2013		31 December 2012	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	–	1.0	–	–
Currency hedge	6.2	4.6	9.1	–
Total	**6.2**	**5.6**	9.1	–
Non-current	3.0	1.6	–	–
Current	3.2	4.0	9.1	–
Total	**6.2**	**5.6**	9.1	–

The fair value of the currency hedge is calculated using the forward exchange rate curve applied to the outstanding portion of the outstanding currency hedging contracts. The effective portion of the currency hedge as at 31 December 2013 amounted to a net asset of MUSD 1.6 (MUSD 9.1).

The fair value of the interest rate swap is calculated using the forward interest rate curve applied to the outstanding portion of the swap transaction. The effective portion of the interest rate swap as at 31 December 2013 amounted to a net liability of MUSD 1.0 (MUSD –).

For risks in the financial reporting see the section Internal control and risk management for the financial reporting in the Corporate Governance report on pages 62–63 and risks and risk management on pages 70–71 for more information.

Note 12 – Other Financial Assets

MUSD	31 December 2013	31 December 2012
Bonds	10.4	9.5
Other	1.4	1.3
	11.8	10.8

At 31 December 2013, the Group held 7.6 million EUR denominated bonds in Etrion Corporation with a coupon rate of 9 percent per year and a maturity date in April 2015. See Note 34 Subsequent Events.

Note 13 – Inventories

MUSD	31 December 2013	31 December 2012
Hydrocarbon stocks	3.5	1.6
Drilling equipment and consumable materials	19.3	17.1
	22.8	18.7

Note 14 – Trade Receivables

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

Note 15 – Prepaid Expenses and Accrued Income

MUSD	31 December 2013	31 December 2012
Prepaid rent	0.7	0.6
Prepaid operational payments	52.2	16.7
Prepaid insurance	3.7	12.2
Accrued income	0.5	1.1
Other	5.0	2.3
	62.1	32.9

Prepaid operational payments included MUSD 35.7 (MUSD –) in relation to the mobilisation costs of a Norwegian rig that will be allocated to future wells. Prepaid insurance included MUSD 10.1 at 31 December 2012, relating to the insurance on the Edvard Grieg project.

Note 16 – Other Receivables

MUSD	31 December 2013	31 December 2012
Underlift	9.4	26.4
Corporation tax	6.5	4.0
Short-term VAT receivable	4.1	3.0
Receivable on farm-out	10.9	–
Other	12.6	6.9
	43.5	40.3

Note 17 – Cash and Cash Equivalents

Cash and cash equivalents include only cash at hand or on bank. No short term deposits are held as at 31 December 2013.

Note 18 – Other Reserves

MUSD	Available for sale reserve	Hedge reserve	Currency translation reserve	Total Other reserves
1 January 2012	-9.2	0.1	-136.7	-145.8
Total comprehensive income	16.1	6.9	59.0	82.0
31 December 2012	6.9	7.0	-77.7	-63.8
Total comprehensive income	1.9	-6.2	-28.6	-32.9
31 December 2013	**8.8**	**0.8**	**-106.3**	**-96.7**

Note 19 – Provision for Site Restoration

MUSD	2013	2012
1 January	190.5	119.3
Unwinding of site restoration discount	6.1	5.1
Payments	-1.5	-18.6
Changes in estimates	56.8	78.9
Currency translation difference	-5.8	5.8
31 December	**246.1**	190.5

In calculating the present value of the site restoration provision, a pre-tax discount rate of 3.5% (3.5%) was used which is based on long-term risk-free interest rate projections. Based on the estimates used in calculating the site restoration provision as at 31 December 2013, approximately 66% of the total amount is expected to be settled after more than 15 years.

Note 20 – Pension Provision

MUSD	2013	2012
1 January	1.5	1.5
Actuarial gains	0.2	0.1
Instalments paid	-0.2	-0.1
31 December	**1.5**	1.5

In May 2002, the Compensation Committee recommended to the Board of Directors, and the Board of Directors approved that a pension to be paid to Adolf H. Lundin upon his resignation as Chairman of the Board of Directors and his appointment as Honorary Chairman. It was further agreed that upon the death of Adolf H. Lundin, the monthly payments would be paid to his wife, Eva Lundin for the duration of her life.

Pension payments totalling an annual amount of TCHF 138 (TUSD 155) are payable to Eva Lundin. The Company may, at its option, buy out the obligation to make the pension payments through a lump sum payment in the amount of TCHF 1,800 (TUSD 2,022).

Note 21 – Other Provisions

MUSD	LTIP	Termination indemnity provision	Other	Total
1 January 2013	76.0	1.0	2.2	79.2
Additions	10.7	–	0.7	11.4
Payment	-10.0	-0.4	–	-10.4
Currency translation difference	0.3	–	0.1	0.4
31 December 2013	**77.0**	**0.6**	**3.0**	**80.6**
Non-current	30.8	0.6	3.0	34.4
Current	46.2	–	–	46.2
Total	**77.0**	**0.6**	**3.0**	**80.6**

See Note 32 for more information on the Group's LTIP.

Note 22 – Financial Liabilities

MUSD	31 December 2013	31 December 2012
Bank loans	1,275.0	432.0
Capitalised financing fees	-35.9	-47.8
	1,239.1	384.2

The USD 2.5 billion financing facility, entered into on 25 June 2012 is a revolving borrowing base facility secured against certain cash flows generated by the Group. In February 2014 the facility was increased to USD 4.0 billion. The amount available under the facility is recalculated every six months based upon the calculated cash flow generated by certain producing fields at an oil price and economic assumptions agreed with the banking syndicate providing the facility. The maturity date of the bank facility is June 2019 and there is a loan reduction schedule which commences in 2016 and reduces to zero by the final maturity date. In addition, the amount available to borrow under the facility is based upon a net present value calculation of the assets' future cash flows. Based on the reduction schedule and the current availability calculation, part of the current outstanding bank loan balance falls due within five years.

continued – Note 22

The upfront fees associated with the USD 2.5 billion credit facility has been capitalised and are being amortised over the expected life of the financing facility. The interest rate on Lundin Petroleum's credit facility is floating and is currently LIBOR + 2.75% (2.75%) per year.

In relation to financial liabilities, the following amounts were outstanding:

MUSD	31 December 2013	31 December 2012
Non-current		
Repayment within 2 – 5 years:		
Bank loans	704.0	–
Repayment after 5 years:		
Bank loans	571.0	432.0
Other non-current liabilities	24.9	22.6
Current		
Repayment within 6 months:		
Trade payables	19.4	15.7
Joint venture creditors	334.5	209.6
Repayment between 6 – 12 months:		
Other current liabilities	–	–
	1,653.8	679.9

The table above analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Loan repayments are made based upon a net present value calculation of the assets' future cash flows. No loan repayments are currently forecast under this calculation.

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

Note 23 – Accrued Expenses and Deferred Income

MUSD	31 December 2013	31 December 2012
Holiday pay	11.0	4.6
Operating costs	21.9	3.1
Social security charges	3.4	2.6
Salaries and wages	0.1	0.1
Other	4.6	2.3
	41.0	12.7

Note 24 – Other Liabilities

MUSD	31 December 2013	31 December 2012
Overlift	29.2	0.5
Withholding tax on salaries	7.2	5.4
VAT payable	0.1	0.3
Social charges payable	0.7	0.7
Mineral resource extraction tax	2.5	2.1
Other liabilities	2.9	6.4
	42.6	15.4

Other liabilities at 31 December 2012 represent an operational liability relating to the Gaupe field, Norway, an audit claim and other supplier payables.

Note 25 – Pledged Assets

In June 2012, Lundin Petroleum entered into a seven year senior secured revolving borrowing base facility of USD 2.5 billion as described in Note 22 Financial Liabilities. The facility is secured by a pledge over the shares of certain Group companies and a charge over some of the bank accounts of the pledged companies. The pledged amount at 31 December 2013 is MUSD 1,870.3 (MUSD 1,831.3) equivalent and represents the accounting value of net assets of the Group companies whose shares are pledged as described in the parent company section below.

Note 26 – Contingent Liabilities and Assets

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

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

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

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

Note 27 – Earnings per share

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

	2013	2012
Net result attributable to shareholders of the Parent Company (in USD)	77,553,799	108,160,717
Weighted average number of shares for the year	310,017,074	310,735,227
Earnings per share (in USD)	**0.25**	0.35

There was no dilution for the years 2013 and 2012.

Note 28 – Adjustment for Non-Cash Related Items

MUSD	Note	2013	2012
Exploration costs	3	287.8	168.4
Impairment of oil and gas properties	3	123.4	237.5
Depletion, depreciation and amortisation	7/8	165.1	189.2
Impairment of other shares		–	18.6
Amortisation of deferred financing fees	5	8.7	6.6
Unwinding of site restoration discount	5/19	6.1	5.1
Decommissioning costs	3/19	13.3	5.3
Long-term incentive plan		9.9	13.0
Interest income	4	-2.3	-5.1
Current tax	6	24.5	341.3
Deferred tax	6	190.6	77.1
Interest expense	5	5.3	6.8
Exchange gains/losses	4/5	52.0	5.5
Gain on consolidation of subsidiary	4	–	-13.4
Other provisions		0.6	0.8
Other non-cash items		0.3	0.2
Adjustment to cash flow from operations		**885.3**	1,056.9

Note 29 – Related Party Transactions

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

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

MUSD	2013	2012
Purchase of services	-0.1	-1.0
Sale of services	0.4	0.4

In addition, the Group purchased a corporate aircraft from a related party company for MUSD 2.8 during the year. The aircraft has been capitalised as part of other fixed assets.

During the fourth quarter of 2013, Lundin Petroleum announced that Geoffrey Turbott, VP Finance and CFO, will leave the Company in mid-2014. Under agreed severance terms, he will receive a payment equal to one years' base salary on his departure, which the Board authorised as a permitted deviation from the Policy on Remuneration for the Executive Management, taking into account the special circumstances of his substantial contributions to the Company over his years of service. In accordance with the rules of the phantom option plan, Geoffrey Turbott will receive full settlement for his entitlement under the plan in 2014. The Group has also entered into a loan agreement with him for a maximum amount of MUSD 3.0. All amounts plus interest are repayable on or before 30 June 2014.

The related party transactions concern other parties that are controlled by key management personnel. Key management personnel include directors and Group management. The remuneration to the Board of directors and Executive Management is disclosed in Note 31. There are no year end balances related to key management personnel other than mentioned above.

Note 30 – Average Number of Employees

Average number of employees per country	2013 Total employees	2013 of which men	2012 Total employees	2012 of which men
Parent Company in Sweden	3	1	–	–
Subsidiaries abroad				
Norway	218	163	144	104
France	50	38	56	45
Netherlands	8	4	7	3
Indonesia	23	12	26	15
Russia	44	26	43	27
Tunisia	6	4	7	5
Malaysia	60	35	50	32
Switzerland	38	22	39	23
Other	3	1	–	–
Total subsidiaries abroad	**450**	**305**	372	254
Total Group	**453**	**306**	372	254

Board members and Executive management	2013 Total at year end	2013 of which men	2012 Total at year end	2012 of which men
Parent Company in Sweden				
Board members [1]	7	5	6	5
Subsidiaries abroad				
Executive Management [1]	4	4	4	4
Total Group	**11**	**9**	10	9

[1] C. Ashley Heppenstall, CEO and Board member is only included in Executive Management.

Note 31 – Remuneration to the Board of Directors, Executive Management and Other Employees

Salaries, other remuneration and social security costs TUSD	2013 Salaries and other remuneration	2013 Social security costs	2012 Salaries and other remuneration	2012 Social security costs
Parent Company in Sweden				
Board members	646	131	580	117
Employees	214	114	–	–
Subsidiaries abroad				
Executive Management	4,826	335	5,095	336
Other employees	96,021	21,913	70,499	16,095
Total Group	**101,707**	**22,493**	76,174	16,548
of which pension costs		**8,670**		5,740

continued – Note 31

Salaries and other remuneration for the Board members and Executive Management[1] TUSD	Fixed Board remuneration/ base salary and other benefits [2]	Short-term variable salary [3]	Remuneration for Committee work	Board remuneration for special assignments [4]	Pension	Total 2013	Total 2012
Parent Company in Sweden							
Board members							
Ian H. Lundin	140	–	–	249	–	389	418
Peggy Bruzelius	38	–	8	–	–	46	–
Kristin Færøvik	35	–	8	–	–	43	78
Asbjørn Larsen	72	–	15	–	–	87	78
Lukas H. Lundin	72	–	–	–	–	72	63
Dambisa F. Moyo	–	–	–	–	–	–	35
William A. Rand	72	–	42	–	–	114	99
Magnus Unger	72	–	23	46	–	141	107
Cecilia Vieweg	38	–	11	–	–	49	–
Total Board members	**539**	**–**	**107**	**295**	**–**	**941**	**878**
Subsidiaries abroad							
Executive Management							
C. Ashley Heppenstall	1,032	765	–	–	132	1,929	2,234
Other (comprises three persons)	1,801	1,421	–	–	385	3,607	3,331
Total Executive Management	**2,833**	**2,186**	**–**	**–**	**517**	**5,536**	**5,565**

1 Salaries and other remuneration have been expensed during the year.
2 Other benefits include school fees and health insurance.
3 In December 2013, the Compensation Committee awarded a bonus for 2013 of one month's salary to Executive Management. In January 2014, the Compensation Committee reassessed the bonus payments made for 2013 considering the employees' contributions to the results of the Group and the achievement of personal targets and awarded additional bonuses payable in January 2014. The same reassessment was made in January 2013 for 2012 and the amounts are included in the cost of 2013.
4 Other remuneration paid during 2013 relates to fees paid for special assignments undertaken by Board members on behalf of the Group. The payment of such fees was in accordance with fees approved by the 2013 AGM.

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

Executive Management
The pension contribution is between 15% and 18% of the qualifying income for pension purposes. Qualifying income is defined as annual base salary and short-term variable salary and is capped at approximately TCHF 842 (TUSD 946). The normal retirement age for the CEO is 65 years.

A mutual termination period of between one month and six months applies between the Company and Executive Management, depending on the duration of the employment with the Company, where the maximum applies as of the tenth year of employment. In addition, severance terms are incorporated into the employment contracts for Executives that give rise to compensation, equal to two years' base salary, in the event of termination of employment due to a change of control of the Company.

During the fourth quarter of 2013, Lundin Petroleum announced that Geoffrey Turbott, VP Finance and CFO, will leave the Company in mid-2014. Under agreed severance terms, Geoffrey Turbott will receive a payment equal to one years' base salary on his departure, which the Board authorised as a permitted deviation from the Policy on Remuneration for the Executive Management, taking into account the special circumstances of his substantial contributions to the Company over his years of service.

See page 58–61 of the Corporate Governance report for further information on the Company's principles of remuneration and the Policy on Remuneration for the Executive Management for 2013.

Note 32 – Long-Term Incentive Plans

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

Unit Bonus Plan
In 2008, Lundin Petroleum implemented a LTIP scheme consisting of a Unit Bonus Plan which provides for an annual grant of units that will lead to a cash payment at vesting. The LTIP has a three year duration whereby the initial grant of units vested equally in three tranches: one third after one year; one third after two years; and the final third after three years. The cash payment is conditional upon the holder of the units remaining an employee of the Group at the time of payment. The share price for determining the cash payment at the end of each vesting period will be the five trading day average closing Lundin Petroleum share price prior to and following the actual vesting date. The exercise price at vesting date 31 May 2013 was SEK 139.89.

continued – Note 32

LTIPs that follow the same principles as the 2008 LTIP have subsequently been implemented each year for employees other than Executive Management.

The following table shows the number of units issued under the LTIPs, the amount outstanding as at 31 December 2013 and the year in which the units will vest.

	Plan				
Unit Bonus Plan	2010	2011	2012	2013	Total
Outstanding at the beginning of the period	209,162	250,625	361,158	–	820,945
Awarded during the period	–	–	–	423,939	423,939
Forfeited during the period	-1,321	-2,167	-2,897	-1,209	-7,594
Exercised during the period	-207,841	-124,466	-119,765	–	-452,072
Outstanding at the end of the period	–	123,992	238,496	422,730	785,218
Vesting date					
31 May 2014		123,992	119,248	140,910	384,150
31 May 2015		–	119,248	140,910	260,158
31 May 2016		–	–	140,910	140,910
Outstanding at the end of the period		123,992	238,496	422,730	785,218

The total number of units vesting do not necessarily equal the total units awarded due to the recalculation following distributions by Lundin Petroleum offsetting units that have lapsed following employees leaving the Group.

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

Unit Bonus Plan MUSD	2013	2012
2009	–	-0.8
2010	0.5	0.8
2011	0.7	2.1
2012	2.2	3.1
2013	3.9	–
	7.3	5.2

LTIP awards are recognised in the financial statements pro rata over their vesting period. The total carrying amount for the provision for the Unit Bonus Plan including social costs at 31 December 2013 amounted to MUSD 8.8 (MUSD 12.0). The provision is calculated based on Lundin Petroleum's share price at the balance sheet date. The closing share price at 31 December 2013 was SEK 125.40.

Phantom Option Plan

At the AGM on 13 May 2009, the shareholders of Lundin Petroleum approved the implementation of an LTIP for Executive Management (being the President and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Senior Vice President Development) consisting of a grant of phantom options exercisable after five years from the date of grant. The exercise of these options entitles the recipient to receive a cash payment based on the appreciation of the market value of the Lundin Petroleum share. Payment of the award under these phantom options will occur in two equal instalments: (i) first on the date immediately following the fifth anniversary of the date of grant and (ii) second on the date which is one year following the date of the first payment.

The LTIP for Executive Management includes 5,500,928 phantom options with an exercise price of SEK 52.91. The phantom options will vest in May 2014 being the fifth anniversary of the date of grant. The recipients will be entitled to receive a cash payment equal to the average closing price of the Company's shares during the fifth year following grant, less the exercise price, multiplied by the number of phantom options. The participants of the phantom option plan are not entitled to receive new awards under the Unit Bonus Plan whilst the phantom options are still outstanding. The Phantom options outstanding as at 31 December 2013 are detailed in the following table:

Executive Management	Phantom options
C. Ashley Heppenstall	2,062,848
Alexandre Schneiter	1,512,756
Chris Bruijnzeels	962,662
Geoffrey Turbott	962,662
	5,500,928

During the fourth quarter of 2013, Lundin Petroleum announced that Geoffrey Turbott, VP Finance and CFO, will leave the Company in mid-2014. In accordance with the rules of the phantom option plan, Geoffrey Turbott will receive full settlement for his entitlement under the plan in 2014.

Lundin Petroleum purchased 6,882,638 of its own shares up to 31 December 2010 at an average cost of SEK 46.51 per share to mitigate against the exposure of the LTIP. The Lundin Petroleum share price at 31 December 2013 was SEK 125.40. The provision for LTIP amounted to MUSD 68.2 including social charges as at 31 December 2013 and the market value of these shares held at 31 December 2013 was MUSD 134.4. The gain in the value of the own shares held cannot be offset against the cost for the LTIP in the financial statements in accordance with accounting rules.

continued – Note 32

LTIP awards are recognised in the financial statements pro rata over their vesting period. The total carrying amount for the provision for the Phantom Option Plan including social costs at 31 December 2013 amounted to MUSD 68.2 (MUSD 64.0). The provision is calculated based on Lundin Petroleum's share price at the balance sheet date using the Black and Scholes method applied to the portion of the awards recognised at the balance sheet date.

The non-cash charge in relation to the LTIP for Executive Management amounted to MUSD 3.3 (MUSD 9.1), including social costs for the financial year ended 31 December 2013.

Note 33 – Remuneration to the Group's Auditors

TUSD	2013	2012
PwC		
Audit fees	1,104	952
Audit related	64	–
Tax advisory services	26	227
Other fees	344	10
Total PwC	**1,538**	1,189
Remuneration to other auditors than PwC	235	278
Total	**1,773**	1,467

Audit fees include the review of the 2013 half year report. Audit related costs include special assignments such as licence audits and PSC audits. Other fees related to advice on business development activities.

Note 34 – Subsequent Events

In February 2014, Lundin Petroleum signed an agreement with its banking syndicate to increase its existing USD 2.5 billion credit facility to USD 4.0 billion on similar terms.

In March 2014, Lundin Petroleum purchased a further 500,000 of its own shares at an average price of SEK 124.07 and sold all of its holding of 7.6 million EUR denominated bonds in Etrion Corporation at slightly above par value.

Exploration
Lundin Petroleum announced in the first quarter of 2014 that it had been awarded nine exploration licences in the Norwegian APA 2013 licensing round, four of which will be operated by Lundin Petroleum.

Lundin Petroleum has announced that the sidetrack exploration well 16/2-20A on the Torvastad prospect on PL501, Norway, had been completed and had encountered uncommercial reservoir. In addition, the well targeting the Langlitinden prospect in PL659, Norway, was unsuccessful.

The Balqis exploration and Boni sidetrack wells in the Baronang PSC, Natuna Sea, Indonesia were announced as unsuccessful and consequently plugged and abandoned. In addition, costs associated with the Cakalang PSC, Natuna Sea, Indonesia will also be expensed following the results from the Baronang wells.

Costs associated with these exploration wells will be expensed in the first quarter of 2014.

Hedging contracts
In February 2014, Lundin Petroleum entered into further forward currency hedging contracts to buy MNOK 2,896.1 and sell MUSD 462.1 at an average exchange rate of NOK 6.27: USD 1.00 to meet 2014 and 2015 NOK operational requirements.

In March 2014, Lundin Petroleum entered into further interest rate hedge swaps starting 1 July 2014 and ending in December 2018 as follows:

Borrowings expressed in MUSD	Fixing of floating LIBOR rate per annum	Settlement period
1,000	0.21%	1 Jul 2014 – 31 Dec 2014
1,500	0.52%	1 Jan 2015 – 31 Dec 2015
1,500	1.50%	1 Jan 2016 – 31 Mar 2016
2,000	1.50%	1 Apr 2016 – 31 Dec 2016
1,500	2.32%	1 Jan 2017 – 31 Dec 2017
1,000	3.06%	1 Jan 2018 – 31 Dec 2018

Annual Accounts of the Parent Company

Parent Company

The business of the Parent Company is investment in and management of oil and gas assets. The net result for the Parent Company amounted to MSEK 76.1 (MSEK 762.2) for the financial year 2013.

The result included general and administrative expenses of MSEK 105.7 (MSEK 84.6) and financial income relating to guarantee fees of MSEK 3.1 (MSEK 1.6) and a dividend received from a subsidiary of MSEK 178.2 (MSEK 804.7). Financial expenses related to interest expense from a group company of MSEK 2.3 (MSEK 31.3).

Pledged assets of MSEK 12,014.5 (MSEK 11,911.6) relate to the accounting value of the pledge of the shares in respect of the financing facility entered into by its fully-owned subsidiary Lundin Petroleum BV.

Accounting Policies

The financial statements of the Parent Company are prepared in accordance with accounting policies generally accepted in Sweden, applying RFR 2 issued by the Swedish Financial Reporting Board and the Annual Accounts Act (1995: 1554). RFR 2 requires the Parent Company to use similar accounting policies as for the Group, i.e. IFRS to the extent allowed by RFR 2. The Parent Company's accounting policies do not in any material respect deviate from the Group policies, see pages 90–95.

Parent Company Income Statement

for the Financial Year Ended 31 December

Expressed in MSEK	Note	2013	2012
Revenue	1	3.1	71.0
Gross profit		**3.1**	71.0
General, administration and depreciation expenses		-105.7	-84.6
Operating loss		**-102.6**	-13.6
Result from financial investments			
Financial income	2	181.4	807.1
Financial expenses	3	-2.7	-31.3
		178.7	775.8
Profit before tax		**76.1**	762.2
Income tax expense	4	–	–
Net result		**76.1**	762.2

Parent Company Comprehensive Income Statement

for the Financial Year Ended 31 December

Expressed in MSEK	2013	2012
Net result	76.1	762.2
Other comprehensive income	–	–
Total comprehensive income	**76.1**	762.2
Total comprehensive income attributable to:		
Shareholders of the Parent Company	76.1	762.2
	76.1	762.2

Parent Company Balance Sheet
for the Financial Year Ended 31 December

Expressed in MSEK	Note	2013	2012
ASSETS			
Non-current assets			
Shares in subsidiaries	11	7,871.8	7,871.8
Other financial fixed assets		0.2	–
Receivables from group companies		–	21.4
Total non-current assets		**7,872.0**	7,893.2
Current assets			
Prepaid expenses and accrued income		5.7	2.7
Other receivables	5	11.6	18.0
Cash and cash equivalents		2.6	1.1
Total current assets		**19.9**	21.8
TOTAL ASSETS		**7,891.9**	7,915.0
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		3.2	3.2
Statutory reserve		861.3	861.3
Total restricted equity		**864.5**	864.5
Unrestricted equity			
Other reserves		2,357.5	2,489.4
Retained earnings		4,515.9	3,753.7
Net profit		76.1	762.2
Total unrestricted equity		**6,949.5**	7,005.3
Total equity		**7,814.0**	7,869.8
Non-current liabilities			
Provisions	6	36.6	36.4
Payables to Group companies		21.6	–
Total non-current liabilities		**58.2**	36.4
Current liabilities			
Trade payables		0.5	1.0
Accrued expenses and prepaid income	7	19.2	7.4
Other liabilities		–	0.4
Total current liabilities		**19.7**	8.8
TOTAL EQUITY AND LIABILITIES		**7,891.9**	7,915.0
Pledged assets	9	12,014.5	11,911.6
Contingent liabilities	9	–	–

Parent Company Statement of Cash Flow
for the Financial Year Ended 31 December

Expressed in MSEK	2013	2012
Cash flow from operations		
Net result	76.1	762.2
Non-cash settled dividend	-178.2	-804.7
Other non-cash items	159.6	78.8
Unrealised exchange losses	-0.4	0.8
Changes in working capital:		
Change in current assets	3.4	-10.8
Change in current liabilities	10.7	4.3
Total cash flow from operations	**71.4**	30.6
Cash flow from investments		
Change in long-term financial fixed assets	–	0.1
Change in other fixed assets	-0.2	–
Total cash flow from investments	**-0.2**	0.1
Cash flow from financing		
Change in long-term liabilities	62.2	29.1
Purchase of own shares	-131.9	-62.4
Total cash flow from financing	**-69.7**	-33.3
Change in cash and cash equivalents	**1.5**	-2.6
Cash and cash equivalents at the beginning of the year	1.1	3.8
Currency exchange difference in cash and cash equivalents	–	-0.1
Cash and cash equivalents at the end of the year	**2.6**	1.1

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

	Restricted Equity		Unrestricted Equity			
Expressed in MSEK	Share capital [1]	Statutory reserve	Other reserves [2]	Retained earnings	Net result	Total equity
Balance at 1 January 2012	3.2	861.3	2,551.8	3,936.1	-182.4	7,170.0
Transfer of prior year net result	–	–	–	-182.4	182.4	–
Total comprehensive income	–	–	–	–	762.2	762.2
Transactions with owners						
Purchase of own shares	–	–	-62.4	–	–	-62.4
Total transactions with owners	**–**	**–**	**-62.4**	**–**	**–**	**-62.4**
Balance at 31 December 2012	**3.2**	**861.3**	**2,489.4**	**3,753.7**	**762.2**	**7,869.8**
Transfer of prior year net result	–	–	–	762.2	-762.2	–
Total comprehensive income	–	–	–	–	76.1	76.1
Transactions with owners						
Purchase of own shares	–	–	-131.9	–	–	-131.9
Total transactions with owners	**–**	**–**	**-131.9**	**–**	**–**	**-131.9**
Balance at 31 December 2013	**3.2**	**861.3**	**2,357.5**	**4,515.9**	**76.1**	**7,814.0**

[1] Lundin Petroleum AB's issued share capital at 31 December 2013 amounted to SEK 3,179,106 represented by 317,910,580 shares with a quota value of SEK 0.01 each. Included in the number of shares issued at 31 December 2013 are 8,340,250 shares which Lundin Petroleum holds in its own name.
[2] From 1 January 2006, the additional paid in capital has been included in other reserves as well as currency differences on loans to subsidiaries.

Notes to the Financial Statements
of the Parent Company

Note 1 – Revenue per Country

MSEK	2013	2012
Norway	0.3	42.2
Indonesia	0.3	0.3
Tunisia	0.1	8.2
Malaysia	0.3	18.5
France	0.3	–
Netherlands	0.5	–
Other	1.5	1.8
	3.1	71.0

Note 2 – Financial Income

MSEK	2013	2012
Dividend	178.2	804.7
Guarantee fees	3.1	1.6
Foreign exchange gain	–	0.8
Other	0.1	–
	181.4	807.1

Note 3 – Financial Expenses

MSEK	2013	2012
Interest expenses Group	2.3	31.3
Foreign exchange losses, net	0.4	–
	2.7	31.3

Note 4 – Income Taxes

MSEK	2013	2012
Net result before tax	76.1	762.2
Tax calculated at the corporate tax rate in Sweden 22% (26.3%)	-16.7	-200.5
Tax effect of dividend not taxable	39.2	211.6
Tax effect of expenses non-deductible for tax purposes	-4.5	-8.9
Increase unrecorded tax losses	-18.0	-2.3
Tax credit/charge	–	–

Note 5 – Other Receivables

MSEK	31 December 2013	31 December 2012
Due from Group companies	8.3	17.2
VAT receivable	2.9	0.8
Other	0.4	–
	11.6	18.0

Note 6 – Provisions

Provisions as at 31 December 2013 amounted to MSEK 36.6 (MSEK 36.4) and related mainly to corporate income tax.

Note 7 – Accrued Expenses and Prepaid Income

MSEK	31 December 2013	31 December 2012
Social security charges	0.7	0.4
Directors fees	0.3	0.2
Audit	1.1	1.0
Lundin Foundation	2.2	–
Outside services	14.9	5.8
	19.2	7.4

Note 8 – Financial Instruments by Category

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

MSEK	Loan receivables and other receivables	Financial liabilities valued at amortised cost
Assets		
Receivables due from Group companies - Current	8.3	–
Cash and cash equivalents	2.6	–
	10.9	–
Liabilities		
Payables to Group companies		21.6
Trade Payables	–	0.5
	–	**22.1**

Note 9 – Pledged Assets, Contingent Liabilities and Assets

Pledged assets relate to the accounting value of the pledge of the shares in respect of the new financing facility entered into by its fully-owned subsidiary Lundin Petroleum BV. See Note 25 in the notes to the financial statements of the Group.

Note 10 – Remuneration to the Auditor

MSEK	2013	2012
PwC		
Audit fees	1.4	1.4
Audit related	–	–
	1.4	1.4

There has been no remuneration to other auditors than PwC.

Note 11 – Shares in Subsidiaries

MSEK	Registration number	Registered office	Total number of shares issued	Percentage owned	Nominal value per share	Book amount 31 Dec 2013	Book amount 31 Dec 2012
Directly owned							
Lundin Petroleum BV	27254196	The Hague, Netherlands	181	100	EUR 100.00	7,871.8	7,871.8
Lundin Services Ltd	LL09860	Labuan, Malaysia	100	100	USD 0.01	–	–
						7,871.8	7,871.8
Indirectly owned							
Lundin Norway AS	986 209 409	Lysaker, Norway	4,930,000	100	NOK 100.00		
Lundin Netherlands BV	24106565	The Hague, Netherlands	6,000	100	EUR 450.00		
Lundin Netherlands Facilities BV	27324007	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Holdings SA	442423448	Montmirail, France	1,853,700	100	EUR 10.00		
- Lundin International SA	572199164	Montmirail, France	1,721,855	99.86	EUR 15.00		
- Lundin Gascogne SNC	419619077	Montmirail, France	100	100	EUR 152.45		
Ikdam Production SA	433912920	Montmirail, France	4,000	100	EUR 10.00		
Lundin Exploration BV	27273727	The Hague, Netherlands	180	100	EUR 100.00		
Lundin SEA Holding BV	27290568	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Malaysia BV	27306815	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Indonesia Holding BV	27290577	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Baronang BV	27314235	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Cakalang BV	27314288	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Gurita BV	27296469	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Lematang BV	24262562	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Oil & Gas BV	24262561	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Rangkas BV (under liquidation)	27314247	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Sareba BV	24278356	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin South Sokang BV	27324012	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin South East Asia BV (under liquidation)	27290262	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Cambodia BV (under liquidation)	27292990	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Russia BV	27290574	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Russia Services BV	27292018	The Hague, Netherlands	18,000	100	EUR 1.00		
- Lundin Russia Ltd.	656565-4	Vancouver, Canada	55,855,414	100	CAD 1.00		
- Culmore Holding Ltd	162316	Nicosia, Cyprus	1,002	100	CYP 1.00		
- Lundin Lagansky BV	27292984	The Hague, Netherlands	18,000	100	EUR 1.00		
- Mintley Caspian Ltd	160901	Nicosia, Cyprus	5,000	70	CYP 1.00		
- LLC PetroResurs	1047796031733	Moscow, Russia	1	100	RUR 10,000		
- Lundin Komi BV	53732561	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Tunisia BV	27284355	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Marine BV (under liquidation)	27275508	The Hague, Netherlands	180	100	EUR 100.00		
- Lundin Marine SARL (under liquidation)	06B090	Pointe Noire, Congo	200	100	FCFA 5,000		
Lundin Petroleum SA	660.0.330.999-0	Collonge-Bellerive, Switzerland	1,000	100	CHF 100.00		
Lundin Services BV	27260264	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Ventures XVII BV	53732855	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Ventures XVIII BV	55709532	The Hague, Netherlands	18,000	100	EUR 1.00		
Lundin Ventures XIX BV	55709362	The Hague, Netherlands	18,000	100	EUR 1.00		

Lundin Marine BV, Lundin Marine SARL, Lundin South East Asia BV, Lundin Rangkas BV and Lundin Cambodia BV were under liquidation as at 31 December 2013.

Board Assurance

At 16 April 2014, the Board of Directors and the President of Lundin Petroleum AB have adopted this annual report for the financial year ended 31 December 2013.

Board Assurance

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

Stockholm, 16 April 2014

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

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

Auditor's Report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Lundin Petroleum AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 73–121.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 46–66. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Lundin Petroleum AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 16 April 2014

PricewaterhouseCoopers AB

Klas Brand
Authorised Public Accountant
Lead Partner

Johan Malmqvist
Authorised Public Accountant
Partner

Five Year Financial Data

Income Statement Summary (MUSD)	2013	2012	2011	2010	2009
Continuing operations					
Revenue[1]	1,195.8	1,375.8	1,251.1	805.3	566.7
Production costs	-195.8	-203.2	-174.7	-163.8	-150.2
Depletion	-174.2	-191.4	-165.1	-145.3	-118.1
Exploration costs	-287.8	-168.4	-140.0	-127.5	-134.8
Impairment costs of oil and gas properties	-123.4	-237.5	–	–	-644.8
Gross profit	**414.6**	575.3	771.2	368.7	-481.2
Gain on sale of assets	–	–	–	66.1	4.6
General, administration and depreciation expenses	-43.6	-31.8	67.0	-41.0	-27.6
Operating profit/(loss)	**371.0**	543.5	704.2	393.9	-504.2
Result from financial investments	-83.0	-21.2	25.4	-12.5	29.6
Result from share in associated company	–	–	–	–	-25.5
Profit/(loss) before tax	**288.0**	522.3	729.7	381.3	-500.1
Tax	-215.1	-418.4	-574.4	-251.9	-45.7
Net result from continuing operations	**72.9**	103.9	155.2	129.5	-545.8
Discontinued operations					
Net result from discontinued operations	–	–	–	369.0	8.7
Net result	**72.9**	103.9	155.2	498.5	-537.1
Net result attributable to the shareholders of the Parent Company:	77.6	108.2	160.1	511.9	-411.3
Net result attributable to non-controlling interest:	-4.7	-4.3	-4.9	-13.4	-125.8
Net result	**72.9**	103.9	155.2	498.5	-537.1

Balance Sheet Summary (MUSD)	2013	2012	2011	2010	2009
Tangible fixed assets	3,936.9	2,913.8	2,345.4	2,014.3	2,556.3
Other non-current assets	59.2	44.1	44.0	129.9	119.1
Current assets	378.4	335.8	298.0	284.9	275.3
Total assets	**4,374.5**	3,293.7	2,687.4	2,429.1	2,950.7
Shareholders' equity	1,207.0	1,182.4	1,000.9	920.4	1,141.7
Non-controlling interest	59.8	67.7	69.4	77.4	95.5
Total equity	**1,266.8**	1,250.1	1,070.3	997.8	1,237.2
Provisions	1,351.2	1,204.6	988.0	769.7	897.6
Non-current liabilities	1,264.1	406.8	226.3	476.6	558.4
Current liabilities	492.4	432.2	402.8	185.0	257.5
Total shareholders' equity & liabilities	**4,374.5**	3,293.7	2,687.4	2,429.1	2,950.7

[1] The comparatives have been restated for the reclassification of the change in under/over lift from production cost to revenue from 1 January 2013.

Key Financial Data

Key financial data is based on continuing operations.

Financial data (MUSD)	2013	2012	2011	2010	2009
Revenue[1]	1,195.8	1,375.8	1,251.1	805.3	566.7
EBITDA	960.9	1,144.1	1,012.1	603.5	392.3
Net result	72.9	103.9	155.2	129.5	-545.8
Operating cash flow	975.6	831.4	676.2	573.4	384.5
Data per share (USD)					
Shareholders' equity per share	3.90	3.81	3.22	2.96	3.64
Operating cash flow per share	3.15	2.68	2.17	1.84	1.23
Cash flow from operations per share	2.95	2.64	2.88	1.79	1.56
Earnings per share	0.25	0.35	0.51	0.46	-1.34
Earnings per share fully diluted	0.25	0.35	0.51	0.46	-1.34
EBITDA per share	3.10	3.68	3.25	1.93	1.25
Dividend per share	–	–	–	2.30	–
Number of shares issued at period end	317,910,580	317,910,580	317,910,580	317,910,580	317,910,580
Number of shares in circulation at period end	309,570,330	310,542,295	311,027,942	311,027,942	313,420,280
Weighted average number of shares for the period	310,017,074	310,735,227	311,027,942	312,096,990	313,420,280

Share price	2013	2012	2011	2010	2009
Share price (SEK)	125.40	149.50	169.20	83.65	56.60
Share price (CAD)	19.73	22.87	24.54	N/A[2]	N/A[2]

Key ratios (%)	2013	2012	2011	2010	2009
Return on equity	6	9	15	12	-38
Return on capital employed	16	35	53	24	-28
Net debt/equity ratio	98	28	13	45	41
Equity ratio	29	38	40	41	42
Share of risk capital	53	66	69	67	66
Interest coverage ratio	51	75	59	19	-37
Operating cash flow/interest ratio	144	119	55	27	26
Yield	–	–	–	18	–

[1] The comparatives have been restated for the reclassification of the change in under/over lift from production cost to revenue from 1 January 2013.
[2] The share is listed on the Toronto Stock Exchange from 24 March 2011.

Key Ratio Definitions

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation): Operating profit before depletion of oil and gas properties, exploration costs, impairment costs, depreciation of other tangible assets and gain on sale of assets.

Operating cash flow: Revenue less production costs and less current taxes.

Shareholders' equity per share: Shareholders' equity divided by the number of shares in circulation at period end.

Operating cash flow per share: Operating cash flow divided by the weighted average number of shares for the period.

Cash flow from operations per share: Cash flow from operations in accordance with the consolidated statement of cash flow divided by the weighted average number of shares for the period.

Earnings per share: Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the period.

Earnings per share fully diluted: Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the period after considering any dilution effect.

EBITDA per share: EBITDA divided by the weighted average number of shares for the period.

Quoted price at the end of the financial period: The quoted price in USD is based on the quoted price in SEK converted in USD against the closing rate of the period.

Weighted average number of shares for the period: The number of shares at the beginning of the period with changes in the number of shares weighted for the proportion of the period they are in issue.

Return on equity: Net result divided by average total equity.

Return on capital employed: Income before tax plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average balance sheet total less non-interest bearing liabilities).

Net debt/equity ratio: Bank loan less cash and cash equivalents divided by shareholders' equity.

Equity ratio: Total equity divided by the balance sheet total.

Share of risk capital: The sum of the total equity and the deferred tax provision divided by the balance sheet total.

Interest coverage ratio: Result after financial items plus interest expenses plus/less exchange differences on financial loans divided by interest expenses.

Operating cash flow/interest ratio: Revenue less production costs and less current taxes divided by the interest charge for the period.

Yield: dividend per share in relation to quoted share price at the end of the financial period.

Reserve Quantity Information

Proved and probable oil reserves	Total Mbbl	Norway Mbbl	France Mbbl	Netherlands Mbbl	Malaysia Mbbl	Tunisia Mbbl	Russia Mbbl
1 January 2012	183,008	141,880	24,758	77	–	250	16,043
Changes during the year							
– acquisitions	4,073	4,073	–	–	–	–	–
– sales	–	–	–	–	–	–	–
– revisions	-5,756	2,460	143	18	–	-209	-8,168
– extensions and discoveries	12,713	–	–	–	12,713	–	–
– production	-10,568	-8,501	-1,040	-2	–	-41	-984
31 December 2012 [1]	**183,470**	**139,912**	**23,861**	**93**	**12,713**	**–**	**6,891**
2013							
Changes during the year							
– acquisitions	–	–	–	–	–	–	–
– sales	–	–	–	–	–	–	–
– revisions	4,777	4,164	-317	-17	943	–	4
– extensions and discoveries	–	–	–	–	–	–	–
– production	-9,420	-7,530	-1,055	–	–	–	-835
31 December 2013 [1]	**178,827**	**136,546**	**22,489**	**76**	**13,656**	**–**	**6,060**

Proved and probable gas reserves	Total MMscf [2]	Norway MMscf	Netherlands MMscf	Indonesia MMscf
1 January 2012	166,229	121,629	21,148	23,452
Changes during the year				
– acquisitions	893	–	893	–
– sales	–	–	–	–
– revisions	-43,807	-42,317	3,782	-5,272
– extensions and discoveries	–	–	–	–
– production	-14,893	-8,522	-4,156	-2,215
31 December 2012	**108,422**	**70,790**	**21,667**	**15,965**
2013				
Changes during the year				
– acquisitions	–	–	–	–
– sales	–	–	–	–
– revisions	-1,851	-3,186	2,364	-1,029
– extensions and discoveries	–	–	–	–
– production	-15,130	-7,353	-4,369	-3,408
31 December 2013	**91,441**	**60,251**	**19,662**	**11,528**

[1] The oil reserves include 4,018 Mbbl of NGL's relating to Norway.
[2] The Company has used a factor of 6,000 to convert one scf to one boe.

Of the total proved and probable oil and gas reserves at 31 December 2013, 34 Mbbl (36 Mbbl) are attributable to non-controlling shareholders of other subsidiaries of the Group.

The reserves as at 31 December 2013 have been certified by the independent qualified reserves auditor ERC-Equipoise Ltd. (ERCE).

Shareholder Information

Lundin Petroleum will publish the following interim reports:

• 7 May 2014	Three month report (January — March 2014)
• 6 August 2014	Six month report (January — June 2014)
• 5 November 2014	Nine month report (January — September 2014)
• 4 February 2015	Year End report 2014

The reports are available on www.lundin-petroleum.com in Swedish and English directly after public announcement.

Annual General Meeting

The Annual General Meeting (AGM) is held within six months from the close of the financial year. All shareholders who are registered in the shareholders' register and who have duly notified their intention to attend the AGM may do so and vote in accordance with their level of shareholding. Shareholders may also attend the AGM through a proxy and a shareholder shall in such a case issue a written and dated proxy. A proxy form is available on www.lundin-petroleum.com.

Lundin Petroleum's AGM is to be held on Thursday 15 May 2014 at 13.00 (Swedish time). Location: Vinterträdgården, Grand Hôtel, Södra Blasieholmshamnen 8 in Stockholm.

Attendance at the meeting

Shareholders wishing to attend the meeting shall:
- be recorded in the share register maintained by Euroclear Sweden AB on Friday 9 May 2014; and
- notify Lundin Petroleum of their intention to attend the meeting no later than Friday 9 May 2014.

Confirmation of attendance

- in writing to Lundin Petroleum AB, c/o Computershare AB, P.O. Box 610, SE 182 16 Danderyd, Sweden
- by telephone: +46-8-51 80 15 54
- by e-mail: info@computershare.se
- via the website www.lundin-petroleum.com

When registering please indicate your name, social security number/company registration number, registered shareholding, address and day time telephone number.

Shareholders whose shares are registered in the name of a nominee must temporarily register the shares in their own name in the shareholders' register to be able to attend the meeting and exercise their voting rights. Such registration must be effected by Friday 9 May 2014.

This information has been made public in accordance with the Securities Market Act (SFS 2007:528) and/or the Financial Instruments Trading Act (SFS 1991:980).

Forward-Looking Statements

Certain statements made and information contained herein constitute "forward-looking information" (within the meaning of applicable securities legislation). Such statements and information (together, "forward-looking statements") relate to future events, including the Company's future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to estimates of reserves and/or resources, future production levels, future capital expenditures and their allocation to exploration and development activities, future drilling and other exploration and development activities. Ultimate recovery of reserves or resources are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable reserves and resource estimates may also be deemed to constitute forward-looking statements and reflect conclusions that are based on certain assumptions that the reserves and resources can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements". Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations and assumptions will prove to be correct and such forward-looking statements should not be relied upon. These statements speak only as on the date of the information and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. These forward-looking statements involve risks and uncertainties relating to, among other things, operational risks (including exploration and development risks), productions costs, availability of drilling equipment, reliance on key personnel, reserve estimates, health, safety and environmental issues, legal risks and regulatory changes, competition, geopolitical risk, and financial risks. These risks and uncertainties are described in more detail under the heading "Risks and Risk Management" and elsewhere in the Company's annual report. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive. Actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements are expressly qualified by this cautionary statement.

Reserves and Resources

Unless otherwise stated, Lundin Petroleum's reserve and resource estimates are as at 31 December 2013, and have been prepared and audited in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook")."). Unless otherwise stated, all reserves estimates contained herein are the aggregate of "Proved Reserves" and "Probable Reserves", together also known as "2P Reserves". For further information on reserve and resource classifications, see "Reserves, Resources and Production" in the Company's annual report.

Contingent Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. There is no certainty that it will be commercially viable for the Company to produce any portion of the Contingent Resources.

Prospective Resources

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both a chance of discovery and a chance of development. There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the Prospective Resources. Unless otherwise stated, all Prospective Resource estimates contained herein are reflecting a P50 Prospective Resource estimate. Risked Prospective Resources reported herein are partially risked. They have been risked for chance of discovery, but have not been risked for chance of development.

BOEs

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf : 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Designated Foreign Issuer

The Company is a reporting issuer in certain Canadian jurisdictions. However, the Company is a "designated foreign issuer" as defined in National Instrument 71-102 Continuous Disclosure and Other Exemptions Relating to Foreign Issuers, and is subject to foreign regulatory requirements, including those of the NASDAQ OMX Stockholm. As such, the Company is exempt from certain requirements otherwise imposed on reporting issuers in Canada.

Lundin Petroleum

Oil Related Measurements

bbl	Barrel (1 barrel = 159 litres)
bcf	Billion cubic feet (1 cubic foot = 0.028 m^3)
Bn	Billion
boe	Barrels of oil equivalents
boepd	Barrels of oil equivalents per day
bopd	Barrels of oil per day
Bn boe	Billion barrels of oil equivalents
Mbbl	Thousand barrels
Mbo	Thousand barrels of oil
Mboe	Thousand barrels of oil equivalents
Mboepd	Thousand barrels of oil equivalents per day
MMbo	Million barrels of oil
MMboe	Million barrels of oil equivalents
MMbpd	Million barrels per day
MMbopd	Million barrels of oil per day
Mcf	Thousand cubic feet
Mcfpd	Thousand cubic feet per day
MMscf	Million standard cubic feet
MMscfd	Million standard cubic feet per day
MMstb	Million stock tank barrels
MMbtu	Million British thermal units

Currency Abbreviations

CHF	Swiss Franc
CAD	Canadian Dollar
EUR	Euro
GBP	British Pound
NOK	Norwegian Kroner
RUR	Russian Rouble
SEK	Swedish Kroner
USD	US Dollar
TCHF	Thousand CHF
TSEK	Thousand SEK
TUSD	Thousand USD
MSEK	Million SEK
MUSD	Million USD

For further definitions of oil and gas terms and measurements vist www.lundin-petroleum.com

Lundin Petroleum

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

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