

# LUNDIN PETROLEUM – PRESS RELEASE



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OMX Nasdaq Nordic Exchange at Stockholmsbörsen: LUPE

5 May 2010

## INTERIM REPORT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2010

Note: This interim report is presented in USD

	1 Jan 2010- 31 Mar 2010 3 months	1 Jan 2009- 31 Mar 2009 3 months	1 Jan 2009- 31 Dec 2009 12 months
Production in Mboepd, gross	35.9	39.3	38.6
Production in Mboepd, after minority	35.9	38.8	38.2
Operating income in MUSD	231.0	150.1	812.2
Net profit in MUSD	24.5	11.5	-537.1
Net profit attributable to shareholders of the parent company in MUSD	26.8	16.9	-411.3
Earnings/share in USD <sup>1</sup>	0.09	0.05	-1.31
Diluted earnings/share in USD <sup>1</sup>	0.09	0.05	-1.31
EBITDA in MUSD	151.0	91.0	482.8
Operating cash flow in MUSD	145.7	103.0	471.9

The numbers included in the table above are based on the total of continuing and discontinued operations.

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

Listen to President & CEO Ashley Heppenstall and CFO Geoffrey Turbott comment on the report at the live broadcast presentation 5 May 2010 at 08.00 CET.

The live presentation and slides will be available on [www.lundin-petroleum.com](http://www.lundin-petroleum.com) following the presentation. You can also dial in to listen to the presentation on the following telephone number: + 44 (0) 203 043 24 36.

*Lundin Petroleum is a Swedish independent oil and gas exploration and production company with a well balanced portfolio of world-class assets in Europe, Russia, the Far East and Africa. The Company is listed at the Nasdaq OMX Nordic Exchange, Sweden (ticker "LUPE"). Lundin Petroleum has existing proven and probable reserves of 177 million barrels of oil equivalent.*

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## **Dear fellow Shareholders,**

The primary objective for myself and Lundin Petroleum's management is to create value for our shareholders. I strongly believe that to achieve this objective it is necessary to adopt a long term perspective. And whilst I am confident that oil prices will increase in the forthcoming years this is something that we cannot control. What we can control is expanding our portfolio of resources particularly through an organic growth strategy. To achieve this we adopt three main criteria. Firstly, to focus upon areas where we believe there is potential to find new hydrocarbons in a size which will be material to Lundin Petroleum, secondly, to employ strong technical personnel with excellent local knowledge, and thirdly, to adopt a corporate strategy that encourages making risk capital available for exploration.

The strategy is starting to pay dividends. Our reserves continue to increase with a 400 percent reserve replacement ratio announced earlier this year for the second consecutive year. Our production increased last year by 20 percent to 38,200 barrels of oil equivalents per day (boepd) and we see further production increases in 2010 with the Volund field, offshore Norway, now onstream. At the same time we maintain our strong focus on exploration particularly in Norway where we have successfully grown a large portfolio managed by an exploration team widely considered as one of the best in the business. This year we will be drilling eleven exploration wells targeting unrisks potential resources of 330 million barrels of oil equivalent (MMboe).

The end game is, however, the crystallisation of value for our shareholders. In this respect I am extremely pleased that we recently completed the spin off of our United Kingdom business into a new independent oil company, EnQuest plc. EnQuest will be primarily focused on the UK North Sea and by combining our UK assets with those of Petrofac we have created a new company with critical mass, a strong balance sheet with no debt and a management team with proven experience in creating value from mature assets. Whilst the deal has already created significant value for our shareholders, with an expected profit after tax realisation of about USD 350 million, I am very confident that EnQuest will grow and create even more value for its shareholders.

## **Financial performance**

During the first quarter of 2010 I am pleased that we generated strong profitability and cash flow; net profit after tax was USD 24.5 million and operating cash flow USD 145.7 million up 113 percent and 41 percent respectively from the same period last year.

Despite the spin off of our UK business, our balance sheet remains strong with unutilized borrowing capacity and strong liquidity.

## **Production**

It was the strong production performance from the Alvheim field, offshore Norway which contributed to our 20 percent production increase in 2009 over the previous year. Production was in line with forecast at approximately 36,000 boepd in the first quarter of 2010. In April 2010, production commenced from the Volund field, offshore Norway where rates are expected to increase to a plateau rate of close to 9,000 boepd net to Lundin Petroleum. This will have a material impact upon Lundin Petroleum's production and operating cash flow going forward. Following the spin off of our UK business we are now forecasting production for 2010 at between 29,000 and 33,000 boepd and expect to exit 2010 at the upper end of this range.

As a result of the spin off of our UK business, the cost of operations of our remaining assets will materially reduce. Cost of operations is forecast to reduce from the current USD 16 per barrel to approximately USD 10 per barrel on a go forward basis.

## **Development**

We are making good progress with the development of a number of new fields in Norway which will provide further production growth over the next few years. The most advanced is the Pi oil and gas field where a plan of development will be submitted to the Norwegian government in May 2010. The development of this 28 MMboe field involves a subsea tieback to the Armada field in the United Kingdom with first oil and gas forecast for late 2011 at an initial production rate of approximately 5,000 boepd net to Lundin Petroleum. We also expect to make decisions this year to proceed with the development of both the Nemo and Krabbe fields.

During the first quarter of this year, we drilled a second successful appraisal well on the Luno field. This was very important for us as it encountered a 50 meter oil column with excellent reservoir characteristics which will most likely result in an upgrade to our current 95 million gross barrels of Luno reserves. We expect to finalise the Luno development concept later this year with a plan of development submission in 2011.

## **Exploration**

Our major area of focus for exploration drilling in 2010 is the Greater Luno Area and Greater Alvheim Areas. Drilling will commence at the end of the second quarter on the Avaldsnes prospect in PL 501 and thereafter we will have a sustained period of exploration drilling in Norway. We are also confident regarding our exploration activities in Malaysia and Indonesia where we have acquired significant quantities of 3D seismic over the last couple of years and will be commencing drilling activity in 2011.

As we predicted world oil prices have recovered from last years lows as the world has pulled itself out of recession following the financial crisis. The world's emerging economies, led by China, are driving forward demand for commodities including oil and today are the engine for the world's growth.

Lundin Petroleum is today smaller following the spin off of the UK business. However our growth will continue from a smaller base driven by our core areas in Norway, South East Asia and Russia with leverage to exploration success having actually increased.

Best Regards

C. Ashley Heppenstall  
President & CEO

## **OPERATIONS**

### **EUROPE**

#### **Norway**

The net production to Lundin Petroleum for the three month period ended 31 March 2010 from the Alvheim field (Lundin Petroleum working interest (WI) 15%), offshore Norway, was 14,300 boepd. The Alvheim field has been on production since June 2008 and continues to perform above expectations. Phase 2 of development drilling, which involves the drilling of 3 multi-lateral wells, will commence in the second half of 2010. Alvheim gross ultimate recoverable reserves increased further during 2009 to 246 MMboe primarily as a result of the excellent reservoir performance. The cost of operations for the Alvheim field averaged below USD 4 per barrel for the first quarter of 2010 and is expected to remain at this level for 2010.

The first two development wells on the Volund field (WI 35%) were successfully completed in 2009. The completed production well was successfully flow tested through the Alvheim FPSO facilities in September 2009. Despite an increase of production capacity on the Alvheim FPSO, the outperformance of the Alvheim field is such that spare capacity on the Alvheim FPSO did not become available until April 2010 when Volund production commenced at a restricted flow rate of approximately 10,000 boepd gross. Phase 2 of Volund development drilling which involves a further two multilateral wells is currently ongoing. The Volund field is forecast to produce at a plateau rate of 8,700 boepd net to Lundin Petroleum from the third quarter of 2010.

In October 2009 a new oil discovery on the Marihøne prospect in PL340 (WI 15%) was announced. The discovery is estimated to contain gross resources of 20 to 30 MMboe and will likely be developed as a subsea tieback to the Alvheim FPSO. A further exploration well is planned to be drilled on PL340 in 2010.

The Luno field located in PL338 (WI 50%) was discovered in 2007 and has subsequently been appraised by two further wells. The results of these appraisal wells are being incorporated into the reservoir model being used for development planning and will most likely result in an upgrade to the 95 MMboe of gross proven and probable (2P) reserves currently assigned by Gaffney Cline & Associates to the Luno field. Conceptual development studies are ongoing for the Luno field to select a development concept by the end of 2010 which will be followed by a development plan submission in 2011.

Lundin Petroleum has a major exploration acreage position in the Greater Luno Area covering licenses PL359 (WI 40%), PL409 (WI 70%), PL410 (WI 70%) and PL501 (WI 40%). In the first quarter of 2010, the Luno High prospect on PL359 was completed as a non-commercial well. A further two exploration wells will be drilled in the Greater Luno Area in 2010 targeting the Avaldsnes prospect in PL501 and the Luno 3 prospect in PL410.

An exploration well on the Frusalen prospect in PL476 (WI 30%) was completed in the first quarter of 2010 as a dry hole.

Good progress was made during the period in respect of the development planning for the Pi field in PL292 (WI 40%), Nemo field in PL148 (WI 50%) and the Krabbe field in PL 301 (WI 40%). A plan of development will be submitted in May 2010 for the Pi field where first production is expected in late 2011. Concept selection decisions are expected to be reached in 2010 for the development of the Nemo and Krabbe fields.

#### **United Kingdom**

The net production to Lundin Petroleum averaged 9,000 boepd during the period.

Net production from the Broom field (WI 55%) averaged 3,100 boepd during the period. Broom production was restricted during the period to one of two production export pipelines to the Heather platform which negatively affected Broom production. A replacement pipeline will be installed during 2010. An additional Broom development well will be drilled in 2010.

Production from the Heather field (WI 100%) averaged 2,000 boepd during the period.

Net production from the Thistle field (WI 99%) averaged 3,900 boepd during the period. Production during the period continued to be positively impacted by good water injection performance. The redevelopment of the Thistle field has commenced with one workover and three new production wells planned for 2010 utilising the rebuilt Thistle platform drilling rig. During 2009, Thistle agreed to provide facilities services to the nearby South West Don

and West Don fields which both came onstream in the first half of 2009. Thistle received first oil from the South West Don and West Don fields in the first quarter of 2010 and received a tariff for the service which materially reduced the net Thistle operating costs.

In April 2010, Lundin Petroleum completed the spin-off of its operations in the United Kingdom into EnQuest plc, a newly formed company focusing on the UK North Sea.

#### **France**

The net production in the Paris Basin (WI 100%) averaged 2,500 boepd and in the Aquitaine Basin (WI 50%) averaged 600 boepd for the period. Development drilling on the Mimosa licence (WI 50%) in the Aquitaine Basin is ongoing.

#### **The Netherlands**

The net gas production from the Netherlands averaged 2,200 boepd for the period.

The exploration well De Hoeve-1 in the onshore Gorredijk concession (WI 7.75%) was successfully completed in the first quarter 2010 as a gas discovery.

#### **Ireland**

A 3D seismic acquisition programme is planned on the Slyne Basin licence 04/06 (WI 50%) in 2010.

### **SOUTH EAST ASIA**

#### **Indonesia**

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

The net production from Salawati (Salawati Island WI 14.5%, Salawati Basin WI 25.9%) was 2,200 boepd for the period.

An exploration well, North Walio-1, was successfully completed as an oil discovery and is now producing through the Salawati Basin facilities.

##### ***Lematang (South Sumatra)***

Production has commenced from the Singa gas field (W.I. 25.9%). Production will reach the plateau rate of gross 50 MMscfd (net Lundin Petroleum 2,000 boepd) during the second half of 2010. The original Singa gas sales agreement with PT PLN (Persoro), an Indonesian state owned electricity company, was amended in February 2010 incorporating an increased gas price at in excess of USD 5 per million British thermal units (MMbtu) and to allow PT PGN (Persoro), an Indonesian state owned gas distributor, to buy the first three years of Singa gas production.

##### ***Rangkas (Java)***

A 474 km 2D seismic acquisition programme will be completed in 2010 on the Rangkas licence (WI 51%).

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

A 975 km<sup>2</sup> 3D seismic acquisition programme on the Baronang and Cakalang licences (WI 100%) was completed in April 2010.

#### **Malaysia**

A 2,150 km<sup>2</sup> 3D seismic acquisition programme on Blocks PM308A (WI 35%), PM308B (WI 75%) and SB303 (WI 75%) was completed in 2009. The seismic data processing and interpretation work is ongoing to identify potential drilling targets for the 2011/2012 drilling campaign.

#### **Vietnam**

The exploration well on the Hoa-Hong-X1 prospect in Block 06/94 (WI 33.33%) was completed in April 2010 encountering what are likely to be non-commercial quantities of gas. One further exploration well will be drilled in 2010.

### **RUSSIA**

The net oil production from Russia for the period was 4,000 boepd.

In the Lagansky Block (WI 70%) in the Northern Caspian the construction of a self elevating platform is ongoing to facilitate the drilling of appraisal wells on the Morskaya field as well as further exploration drilling in this shallow water environment.

### **AFRICA**

#### **Tunisia**

The net oil production from the Oudna field (WI 40%) averaged 1,100 boepd for the period. The Oudna field production continues to outperform expectations.

### **Congo (Brazzaville)**

An appraisal well on the Viodo discovery was completed in the fourth quarter of 2009 as an oil discovery. The results of the well are currently being reviewed with respect to the development potential of the Viodo field.

In Block Marine XIV (WI 21.55%) exploration drilling will commence during late 2010 or early 2011 with the drilling of the Makouala prospect.

## **THE GROUP**

### **Change in reporting currency**

International Accounting Standards (IAS) 21 states that a company may present its financial statements in any currency and that the currency selected should be the currency that management uses when controlling and monitoring the performance and financial position of the group. The generally accepted currency of the oil industry is United States dollars (USD) and as such the Board of Directors of Lundin Petroleum believes that presenting the financial statements in this currency will further assist readers in understanding the underlying financial position of the company and its results. The Board has resolved that Lundin Petroleum will present its financial statements in USD with effect from 1 January 2010. As a consequence, the comparative figures are translated into USD whereby assets and liabilities are translated at the closing rate at the date of that balance sheet and income and expenses are translated at the exchange rates at the dates of the transactions. Equity is translated against historical rates.

For comparative purposes, historical income statements and balance sheets have been presented in USD on the Company's website [www.lundin-petroleum.com](http://www.lundin-petroleum.com).

Under Swedish company regulations it is not allowed to report the parent company results in any other currency than Swedish Kroner (SEK) and consequently the parent company financial statements are still reported in SEK and not in USD.

### **Result**

Lundin Petroleum reports a net result for the three month period ended 31 March 2010 of MUSD 24.5 (MUSD 11.5) or MUSD 13.6 (MUSD 15.6) excluding discontinued operations. The net result attributable to shareholders of the Parent Company for the three month period ended 31 March 2010 amounted to MUSD 26.8 (MUSD 16.9) or MUSD 15.9 (MUSD 21.1) excluding discontinued operations representing earnings per share on a fully diluted basis of USD 0.09 (USD 0.05) or USD 0.06 (USD 0.06) excluding discontinued operations for the three month period ended 31 March 2010.

Operating cash flow for the three month period ended 31 March 2010 amounted to MUSD 145.7 (MUSD 103.0) and MUSD 120.5 (MUSD 92.7) excluding discontinued operations representing operating cash flow per share on a fully diluted basis of USD 0.46 (USD 0.33) or USD 0.38 (USD 0.30) excluding discontinued operations for the three month period ended 31 March 2010.

Earnings before interest, tax, depletion and amortisation (EBITDA) for the three month period ended 31 March 2010 amounted to MUSD 151.0 (MUSD 91.0) or MUSD 118.8 (MUSD 80.4) excluding discontinued operations representing EBITDA per share on a fully diluted basis of USD 0.48 (USD 0.29) or USD 0.38 (USD 0.26) excluding discontinued operations for the three month period ended 31 March 2010.

### **Changes in the Group**

During the first quarter of 2010, Lundin Petroleum announced its intention to spin-off the United Kingdom (UK) business. The spin-off was completed on 6 April 2010 with the sale of the UK business in exchange for shares in the newly incorporated company, EnQuest and the subsequent distribution of the EnQuest shares received to Lundin Petroleum shareholders on 9 April 2010. The results of the UK business are included in the Lundin Petroleum accounts up until the end of the first quarter of 2010 and are shown as discontinued operations. For more detail refer to Note 8.

As at 31 March 2010 the assets and liabilities of the UK business have been classified as held for distribution. For more detail refer to Note 11.

### **Revenue**

Net sales of oil and gas for the three month period ended 31 March 2010 amounted to MUSD 228.1 (MUSD 146.4) or MUSD 165.5 (MUSD 115.1) excluding discontinued operations and are detailed in Note 1. Production for the three month period ended 31 March 2010 amounted to 3,237.4 (3,537.0) thousand barrels of oil equivalent (Mboe) representing 35.9 Mboe per day (Mboepd) (39.3 Mboepd) or 2,425.2 (2,605.1) Mboe representing 26.9 Mboepd (28.9 Mboepd) excluding discontinued operations. The average price achieved for a barrel of oil equivalent for the three month period ended 31 March 2010 amounted to USD 70.43 (USD 43.47) or USD 68.28 (USD 43.21) excluding discontinued operations. The average Dated Brent price for the three month period ended 31 March 2010 amounted to USD 76.36 (USD 44.46) per barrel.

Other operating income for the three month period ended 31 March 2010 amounted to MUSD 2.9 (MUSD 3.7) or MUSD 0.9 (MUSD 2.2) excluding discontinued operations. Other operating income includes tariff income from the United Kingdom, France and the Netherlands and income for maintaining strategic inventory levels in France.

Sales for the three month period ended 31 March 2010 were comprised as follows:

<b>Sales</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
Average price per boe expressed in USD			
<b>France</b>			
- Quantity in Mboe	294.1	341.4	1,277.9
- Average price per boe	77.37	45.96	60.94
<b>Norway</b>			
- Quantity in Mboe	1,273.6	1,169.8	5,200.1
- Average price per boe	73.26	47.05	60.48
<b>Netherlands</b>			
- Quantity in Mboe	197.0	220.1	759.3
- Average price per boe	43.68	63.25	50.49
<b>Indonesia</b>			
- Quantity in Mboe	124.7	100.4	609.4
- Average price per boe	70.50	41.41	60.58
<b>Russia</b>			
- Quantity in Mboe	339.5	569.7	1,976.4
- Average price per boe	49.44	24.74	37.64
<b>Tunisia</b>			
- Quantity in Mboe	195.6	261.4	465.5
- Average price per boe	78.27	46.52	54.72
<b>Total from continued operations</b>			
- Quantity in Mboe	<b>2,424.5</b>	2,662.8	10,288.6
- Average price per boe	<b>68.28</b>	43.21	55.16
<b>Discontinued operations -</b>			
<b>United Kingdom</b>			
- Quantity in Mboe	814.4	705.7	3,630.8
- Average price per boe	76.82	44.46	62.83
<b>Total</b>			
- Quantity in Mboe	<b>3,238.9</b>	3,368.5	13,919.4
- Average price per boe	<b>70.43</b>	43.47	57.16

The oil produced in Russia is sold on either the Russian domestic market or exported into the international market. 40 percent (40 percent) of Russian sales for the three month period ended 31 March 2010 were on the international market at an average price of USD 74.31 per barrel (USD 57.23 per barrel) with the remaining 60 percent (60 percent) of Russian sales being sold on the domestic market at an average price of USD 33.02 per barrel (USD 24.67 per barrel).

Production for the three month period ended 31 March 2010 was comprised as follows:

<b>Production</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
<b>France</b>			
- Quantity in Mboe	281.4	318.0	1,249.2
- Quantity in Mboepd	3.1	3.5	3.4
<b>Norway</b>			
- Quantity in Mboe	1,290.3	1,233.1	5,060.9
- Quantity in Mboepd	14.3	13.8	13.9
<b>Netherlands</b>			
- Quantity in Mboe	197.0	220.1	759.3
- Quantity in Mboepd	2.2	2.4	2.1
<b>Indonesia</b>			
- Quantity in Mboe	197.4	225.8	896.3
- Quantity in Mboepd	2.2	2.5	2.4
<b>Russia</b>			
- Quantity in Mboe	356.4	471.8	1,890.0
- Quantity in Mboepd	4.0	5.2	5.2
<b>Tunisia</b>			
- Quantity in Mboe	102.7	136.3	494.9
- Quantity in Mboepd	1.1	1.5	1.4
<b>Total from continuing operations</b>			
- Quantity in Mboe	<b>2,425.2</b>	2,605.1	10,350.6
- Quantity in Mboepd	<b>26.9</b>	28.9	28.4
<b>Minority interest in Russia</b>			
- Quantity in Mboe	-	44.5	162.2
- Quantity in Mboepd	-	0.5	0.4
<b>Total from continuing operations excluding minority interest</b>			
- Quantity in Mboe	<b>2,425.2</b>	2,560.6	10,188.4
- Quantity in Mboepd	<b>26.9</b>	28.4	28.0
<b>Discontinued operations - United Kingdom</b>			
- Quantity in Mboe	812.2	931.9	3,743.3
- Quantity in Mboepd	9.0	10.4	10.2
<b>Total excluding minority interest</b>			
- Quantity in Mboe	<b>3,237.4</b>	3,492.5	13,931.7
- Quantity in Mboepd	<b>35.9</b>	38.8	38.2

In 2009, Lundin Petroleum had fully consolidated the subsidiaries in Russia over which it had control, with the portion not owned by Lundin Petroleum shown as a minority interest. The average production for Russia for the three month period ended 31 March 2009 adjusted for Lundin Petroleum's share of ownership was 4.7 Mboepd. Lundin Petroleum sold the two controlled Russian subsidiaries during the second half of 2009.

Production quantities in a period can differ from sales quantities for a number of reasons. Timing differences can arise due to inventory, storage and pipeline balances effects. Other differences arise as a result of paying royalties in kind as well as the effects from production sharing agreements.

## Production cost

Production costs for the three month period ended 31 March 2010 amounted to MUSD 71.2 (MUSD 55.6) or MUSD 39.2 (MUSD 33.1) excluding discontinued operations and are detailed in Note 2. The total production cost and depletion cost per barrel of oil equivalent produced including and excluding discontinued operations is detailed in the tables below.

<b>Total production cost and depletion</b> in USD per boe	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	1 Jan 2009- 31 Mar 2009 3 months	1 Jan 2009- 31 Dec 2009 12 months
Cost of operations	15.34	14.28	16.40
Tariff and transportation expenses	1.89	2.31	2.21
Royalty and direct taxes	3.28	2.08	2.91
Changes in inventory/overlift	1.28	-3.15	-0.32
Other	0.21	0.20	0.22
<b>Total production costs</b>	<b>22.00</b>	15.72	21.42
Depletion	12.93	11.86	12.06
<b>Total cost per boe</b>	<b>34.93</b>	27.58	33.48

  

<b>Production cost and depletion from continuing operations</b> in USD per boe	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	1 Jan 2009- 31 Mar 2009 3 months	1 Jan 2009- 31 Dec 2009 12 months
Cost of operations	8.59	8.24	9.84
Tariff and transportation expenses	1.17	1.82	1.52
Royalty and direct taxes	4.38	2.83	3.96
Changes in inventory/overlift	1.74	-0.44	0.01
Other	0.28	0.27	0.30
<b>Total production costs</b>	<b>16.16</b>	12.72	15.63
Depletion	12.58	11.22	11.41
<b>Total cost per boe</b>	<b>28.74</b>	23.94	27.04

The cost of operations of USD 15.34 per barrel for the three month period ended 31 March 2010 was significantly below the forecast of USD 18.30 per barrel. The actual cost for the first quarter of 2010 was impacted by the slippage of projects and maintenance activities and the effect of favourable foreign exchange rates in the United Kingdom which has positively impacted the profit generated from the United Kingdom in the period. This is a permanent reduction in cost for the year because the United Kingdom business was spun-off in April 2010.

The cost of operations for continued operations of USD 8.59 per barrel for the three month period ended 31 March 2010 was lower than the forecast of USD 10.35 per barrel due to timing differences in the phasing of projects in Norway, the Netherlands, Indonesia and France. It is expected that the cost of operations will return to forecast as activity levels increase.

Royalty and direct taxes includes Russian Mineral Resource Extraction Tax ("MRET") and Russian Export Duties. The rate of MRET varies in relation to world oil prices and is levied on the volume of Russian production. MRET averaged USD 13.40 (USD 6.87) per barrel of Russian production for the three month period ended 31 March 2010. The rate of export duty on Russian oil is revised by the Russian Federation monthly and is dependant 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 36.38 (USD 15.42) per barrel of Russian production for the three month period ended 31 March 2010. The royalty and direct taxes have increased compared to the comparative period following the rise in crude prices impacting the cost of Russian MRET and export duty which makes up the majority of the overall expense.

As mentioned in the production section, there are both permanent and timing differences that result in sales volumes not being equal to production volumes during a period. Changes to the hydrocarbon inventory and under or overlift positions result from these timing differences and an amount of MUSD 4.1 (MUSD -11.2) was charged to the income statement for the first three month period ended 31 March 2010 or MUSD 4.2 (MUSD -1.2) excluding discontinued operations.

## Depletion

Depletion of oil and gas properties for the three month period ended 31 March 2010 amounted to MUSD 41.9 (MUSD 42.0) or MUSD 30.5 (MUSD 29.2) excluding discontinued operations and are detailed in Note 3. The depletion charge for the three month period ended 31 March 2010 is consistent with the comparative period and in line with the rate forecasted in terms of both absolute and unit costs.

## Exploration costs

Exploration costs for the three month period ended 31 March 2010 amounted to MUSD 33.6 (MUSD 4.1) or MUSD 33.5 (MUSD 4.0) excluding discontinued operations and are detailed in Note 4. Exploration and appraisal costs are



capitalised as they are incurred. When exploration drilling is unsuccessful the costs are immediately charged to the income statement as exploration costs. All capitalised exploration costs are reviewed on a regular basis and are expensed where there is uncertainty regarding their recoverability.

During the first quarter of 2010, Lundin Petroleum announced that the wells drilled on Blocks PL359 and PL476 in Norway were not commercial successes and as such, the costs associated with these wells of MUS\$ 22.6 were expensed during the period. During the first quarter of 2010, Lundin Petroleum relinquished Blocks PL486s and PL487s and the costs associated with these Blocks of MUS\$ 8.5 were also expensed during the period.

#### **Other income**

Other income for the three month period ended 31 March 2010 amounted to MUS\$ 0.2 (MUS\$ 0.1) or MUS\$ 0.2 (MUS\$ 0.1) excluding discontinued operations and represents fees and costs recovered by Lundin Petroleum from third parties.

#### **General, administrative and depreciation expenses**

General, administrative and depreciation expenses for the three month period ended 31 March 2010 amounted to MUS\$ 9.0 (MUS\$ 3.6) or MUS\$ 8.7 (MUS\$ 3.9) excluding discontinued operations. Depreciation charges included in this amount totalled MUS\$ 0.9 (MUS\$ 0.7) or MUS\$ 0.7 (MUS\$ 0.6) excluding discontinued operations for the three month period ended 31 March 2010. The general, administrative and depreciation expenses for the three month period ended 31 March 2010 includes an amount of MUS\$ 2.5 (MUS\$ -) relating to Lundin Petroleum's fully consolidated subsidiary, Etrion Corporation. General, administrative and depreciation expenses are in line with forecast, which for 2010 amounts to MUS\$ 20.0 excluding Etrion.

#### **Financial income**

Financial income for the three month period ended 31 March 2010 amounted to MUS\$ 6.4 (MUS\$ 7.2) or MUS\$ 6.0 (MUS\$ 7.2) excluding discontinued operations and is detailed in Note 5. Interest income for the three month period ended 31 March 2010 amounted to MUS\$ 0.7 (MUS\$ 0.7) or MUS\$ 0.7 (MUS\$ 0.7) excluding discontinued operations and includes interest received on bank accounts of MUS\$ 0.6 (MUS\$ 0.6) and interest received on a loan to an associated company of MUS\$ 0.1 (MUS\$ 0.1).

Net exchange gains for the three month period ended 31 March 2010 amounted to MUS\$ 5.2 (MUS\$ -1.5) and MUS\$ 4.9 (MUS\$ 6.1) excluding discontinued operations as a result of the strengthening US dollar during the first quarter of 2010. 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, GBP and the Russian Rouble (RUR). Lundin Petroleum has USD denominated debt recorded in subsidiaries using a functional currency other than USD.

The change in the reporting currency from SEK to USD has no impact on the net foreign exchange gains reported in the income statement as this is only a change in the currency used for reporting. The individual companies will continue to prepare their financial statements in same functional currency as they used before.

#### **Financial expenses**

Financial expenses for the three month period ended 31 March 2010 amounted to MUS\$ 7.9 (MUS\$ 13.7) or MUS\$ 6.7 (MUS\$ 4.5) excluding discontinued operations and are detailed in Note 6. Interest expenses for the three month period ended 31 March 2010 amounted to MUS\$ 1.7 (MUS\$ 2.8) or MUS\$ 1.2 (MUS\$ 1.7) excluding discontinued operations and mainly relates to the bank loan facility. In January 2008, the Group entered into an interest rate hedging contract to fix the LIBOR rate of interest at 3.75 percent p.a. on MUS\$ 200 of the Group's USD borrowings for the period from January 2008 until January 2012. An amount of MUS\$ 1.8 (MUS\$ 1.0) or MUS\$ 1.8 (MUS\$ 1.0) excluding discontinued operations was charged to the income statement for the three month period ended 31 March 2010 for settlements under the hedging contracts.

A provision for the costs of site restoration is recorded in the balance sheet at the discounted value of the estimated future cost. The effect of the discount is unwound each year and charged to the income statement. An amount of MUS\$ 1.8 (MUS\$ 1.0) or MUS\$ 1.0 (MUS\$ 0.6) excluding discontinued operations has been charged to the income statement for the three month period ended 31 March 2010.

The amortisation of financing fees for the three month period ended 31 March 2010 amounted to MUS\$ 0.4 (MUS\$ 0.5) or MUS\$ 0.4 (MUS\$ 0.5) excluding discontinued operations.

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

The result from share in associated company for the three month period ended 31 March 2010 amounted to MUS\$ - (MUS\$ -0.9) and consisted of the 44.81 percent equity share of the result of Etrion owned by Lundin Petroleum. The results of Etrion are fully consolidated into the Lundin Petroleum consolidated accounts with effective date 30 September 2009 and as such, there is no amount recorded for the first quarter of 2010.

#### **Tax**

The tax charge for the three month period ended 31 March 2010 amounted to MUS\$ 49.6 (MUS\$ 26.1) or MUS\$ 40.6 (MUS\$ 33.2) excluding discontinued operations and is detailed in Note 7.

The current tax charge for the three month period ended 31 March 2010 amounted to MUS\$ 14.1 (MUS\$ -8.5) or MUS\$ 6.8 (MUS\$ -8.5) excluding discontinued operations. The current tax charge comprises primarily of tax charges in the United Kingdom, France, the Netherlands and Indonesia. There is no current tax payable in respect

of Norway operations due to the utilisation of tax losses carried forward and the deductibility of the exploration expenditure incurred. The current tax credit in 2009 of MUS\$ 8.5 arose from a combination of the low oil price achieved and the high exploration and capital expenditure incurred in the period. These two factors created a situation whereby Lundin Petroleum was entitled to a cash tax refund under the Norwegian tax system.

The deferred tax charge for the three month period ended 31 March 2010 amounted to MUS\$ 35.4 (MUS\$ 34.6) or MUS\$ 33.7 (MUS\$ 41.7) excluding discontinued operations and consists of deferred corporation tax charge amounting to MUS\$ 37.7 (MUS\$ 37.9) or MUS\$ 33.7 (MUS\$ 41.7) excluding discontinued operations and a petroleum tax credit amounting to MUS\$ 2.3 (MUS\$ 3.3) which relates to discontinued operations.

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 three month period ended 31 March 2010 amounts to approximately 67 percent.

The effective tax rate for the Group for the three month period ended 31 March 2010 from continued operations amounts to approximately 75 percent. This effective rate is the amount calculated from the face of the income statement and does not reflect the effective rate of tax paid within each country of operation. Only a portion of the reported general and administrative expenses are deductible for tax purposes, and where deductible, are only deductible at rates of 20 and 25 percent. The effective rate of cash tax payable is 19 percent because tax loss carry forwards and exploration expenditure continue to provide a tax shelter in Norway.

### Minority interest

The net result attributable to minority interest for the three month period ended 31 March 2010 amounted to MUS\$ -2.3 (MUS\$ -5.4) and mainly relates to the minority interest's share in Etrion which is fully consolidated.

## BALANCE SHEET

### Non-current assets

Oil and gas properties as at 31 March 2010 amounted to MUS\$ 1,940.6 (MUS\$ 2,540.3) and are detailed in Note 9. The oil and gas properties does not include any amount for the UK assets as at 31 March 2010 as they have been reclassified as Assets held for distribution and appear within the current assets.

Development and exploration expenditure incurred for the three month period ended 31 March 2010 is as follows:

<b>Development expenditure</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
in MUS\$			
France	3.2	0.7	6.3
Norway	42.0	21.6	88.1
Netherlands	0.8	2.1	5.3
Indonesia	5.0	8.3	34.9
Russia	1.5	2.6	10.1
<b>Development expenditures from continued operations</b>	<b>52.5</b>	<b>35.3</b>	<b>144.7</b>
Discontinued operations - United Kingdom	17.1	15.7	63.5
<b>Development expenditures</b>	<b>69.6</b>	<b>51.0</b>	<b>208.2</b>

<b>Exploration expenditure</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
in MUS\$			
France	0.2	2.0	3.1
Norway	28.5	58.3	198.5
Indonesia	1.2	3.1	9.7
Russia	5.4	6.0	45.2
Vietnam	3.9	0.5	9.2
Congo (Brazzaville)	0.6	2.5	13.8
Malaysia	1.6	1.4	23.9
Other	1.1	3.6	4.7
<b>Exploration expenditures from continued operations</b>	<b>42.5</b>	<b>77.4</b>	<b>308.1</b>
Discontinued operations - United Kingdom	0.2	0.6	2.3
<b>Exploration expenditures</b>	<b>42.7</b>	<b>78.0</b>	<b>310.4</b>

Solar power properties as at 31 March 2010 amounted to MUSD 3.4 (MUSD 0.6) and relates to solar power plants currently being built in Italy by Etrion.

Other tangible assets as at 31 March 2010 amounted to MUSD 13.6 (MUSD 15.3) and represents office fixed assets and real estate.

Goodwill amounted to MUSD 0.7 (MUSD 0.7) as at 31 March 2010 and relates to Etrion's acquisition of a renewable energy company during 2009. Other intangible assets as at 31 March 2010 amounted to MUSD 4.8 (MUSD 5.1) and represents licences to develop renewable energy projects held by Etrion.

Financial assets as at 31 March 2010 amounted to MUSD 94.5 (MUSD 85.4) and are detailed in Note 10. Other shares and participations amounted to MUSD 37.8 (MUSD 32.4) as at 31 March 2010 and primarily relate to the shares held in ShaMaran Petroleum Corp. Capitalised financing fees as at 31 March 2010 amounted to MUSD 6.7 (MUSD 7.5) and relate to the costs incurred in establishing the bank credit facility and are being amortised over the period of estimated usage of the facility. Long-term receivables as at 31 March 2010 amounted to MUSD 24.0 (MUSD 24.2) and mainly relate to the convertible loan provided to Africa Oil Corporation for an amount of MUSD 23.8 (MUSD 23.8). Other financial assets as at 31 March 2010 amounted to MUSD 26.0 (MUSD 21.1) and mainly represent VAT paid on costs in Russia that is expected to be recovered.

The deferred tax asset as at 31 March 2010 amounted to MUSD 20.0 (MUSD 27.9).

#### **Current assets**

Assets held for distribution amounted to MUSD 407.2 (MUSD -) as at 31 March 2010 and represent the carrying value of the assets of the UK business net of deferred taxes and are detailed in Note 11.

Receivables and inventories amounted to MUSD 149.9 (MUSD 198.0) as at 31 March 2010 and are detailed in Note 12. Inventories include hydrocarbons and consumable well supplies and amounted to MUSD 18.6 (MUSD 27.4) as at 31 March 2010. The short-term loan receivable relates to the short term portion of the BNP Paribas funding amounting to MUSD 1.3 (MUSD 3.9) and the advance in relation to the acquisition of the 30 percent interest in the Lagansky Block to the minority partner for an amount of MUSD 30.0 (MUSD 30.0). Corporation tax receivables as at 31 March 2010 amounted to MUSD 0.2 (MUSD 2.2) and relate primarily to tax refunds due in the Netherlands.

Cash and cash equivalents as at 31 March 2010 amounted to MUSD 85.3 (MUSD 77.3). Cash balances were held at 31 March 2010 to meet operational and investment requirements. Included in cash and cash equivalents is an amount of MUSD 16.8 (MUSD 23.4) held by Etrion.

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

Provisions as at 31 March 2010 amounted to MUSD 611.9 (MUSD 897.6) and are detailed in Note 13. This amount includes a provision for site restoration of MUSD 77.7 (MUSD 132.7). The decrease of the site restoration provision as at 31 March 2010 from the comparative period is mainly due to the reclassification of the site restoration provision relating to the UK business as Liability held for distribution for an amount of MUSD 53.7 as at 31 March 2010.

The provision for deferred tax as at 31 March 2010 amounted to MUSD 506.0 (MUSD 743.6) and is arising on the excess of book value over the tax value of oil and gas properties. In accordance with IFRS the amounts for deferred tax asset have been offset against the deferred tax liability where offsetable. The net deferred tax liability includes tax losses carry forward relating primarily to Norway of MUSD 109.5. The deferred tax provision as at 31 March 2010 has decreased from the comparative period mainly due to the reclassification of the provision for deferred tax relating to the UK business as Assets held for distribution for an amount of MUSD 255.6 as at 31 March 2010.

The provision for derivative instruments amounted to MUSD 4.1 (MUSD 3.1) as at 31 March 2010 and relates to the long term portion of the fair value of the interest rate swap entered into in January 2008 in relation to the Company's MUSD 850 credit facility for an amount of MUSD 3.2 and the interest rate swap entered into by Etrion for an amount of MUSD 0.9.

Other provisions amounted to MUSD 22.6 (MUSD 16.8) as at 31 March 2010 and relate to an exchange obligation of Etrion amounting to MUSD 5.6 (MUSD 5.7), termination indemnity provisions in Indonesia and Tunisia amounting to MUSD 9.4 (MUSD 4.0) and other provisions amounting to MUSD 7.6 (MUSD 7.1).

Long term interest bearing debt amounted to MUSD 570.4 (MUSD 545.7) as at 31 March 2010. The financing facility consists of a MUSD 850 revolving borrowing base and letter of credit facility with a seven year term expiring 2014. Under the MUSD 850 facility, MUSD 35 of Letters of Credit in support of future site restoration costs payable to former owners of the Heather field, offshore United Kingdom, have been issued. Following the disposal of the UK business to EnQuest on 6 April 2010, these Letters of Credit were cancelled. The cash drawings outstanding under the credit facility amounted to MUSD 569.0 (MUSD 544.0) as at 31 March 2010. The long term interest bearing debt also includes the long-term portion of a bank loan drawn by a jointly controlled entity in Russia and the long-term bank loan drawn by Etrion.

### **Current liabilities**

Liabilities held for distribution amounted to MUS\$ 101.2 (MUS\$ -) as at 31 March 2010 and represent the carrying value of the UK business related liabilities and are detailed in Note 11.

Other current liabilities as at 31 March 2010 amounted to MUS\$ 187.0 (MUS\$ 257.5) and are detailed in Note 14. Joint venture creditors as at 31 March 2010 amounted to MUS\$ 87.1 (MUS\$ 140.0) and relate to ongoing operational costs. Short-term loans as at 31 March 2010 amounted to 30.9 (MUS\$ 32.4) and relates to the current portion of a bank loan drawn by a jointly controlled entity in Russia for an amount of MUS\$ 0.9 (MUS\$ 2.4) and the advance in relation to the agreement with Gunvor for an amount of MUS\$ 30.0 (MUS\$ 30.0). Tax payables as at 31 March 2010 amounted to MUS\$ 21.0 (MUS\$ 20.9). The short term portion of the fair value of the interest rate swap entered into in January 2008 and the interest rate swap entered into in November 2009 by Etrion included in current liabilities as at 31 March 2010 amounted to MUS\$ 7.0 (MUS\$ 7.1).

### **LIQUIDITY**

Lundin Petroleum has a secured revolving borrowing base facility of MUS\$ 850, of which MUS\$ 569.0 has been drawn in cash and MUS\$ 35 has been drawn as Letters of Credit as at 31 March 2010. The MUS\$ 35 Letters of Credit have been issued as security for the payment of future site restoration costs to former owners of the Heather field, offshore UK. Following the disposal of the UK business to EnQuest on 6 April 2010, these Letters of Credit were cancelled. The MUS\$ 850 facility is a revolving borrowing base facility secured against certain cash flows generated by the company. The amount available under the facility is recalculated every six months based upon the calculated cash flow generated by certain producing fields at an oil price and economic assumptions agreed with the banking syndicate providing the facility. Following the disposal of the UK business, a new borrowing base redetermination is being undertaken and an amount of approximately USD 850 million has been calculated effective 1 July 2010.

Lundin Petroleum has, through its subsidiary Lundin Malaysia BV, entered into three Production Sharing Contracts (PSC) with Petroliaam Nasional Berhad, the oil and gas company of the Government of Malaysia ("Petronas"), in respect of the licenses PM308A, PM308B and SB303 in Malaysia. BNP Paribas, on behalf of Lundin Malaysia BV has issued bank guarantees in support of the work commitments in relation to these PSCs amounting to MUS\$ 87.1. In addition, BNP Paribas have issued additional bank guarantees to cover work commitments in Indonesia amounting to MUS\$ 15.0.

### **SUBSEQUENT EVENTS**

The exploration well on the Hoa-Hong-X1 prospect in Block 06/94, Vietnam (WI 33.33%) was completed in April 2010 encountering what are likely to be non-commercial quantities of gas. In the event that the well is confirmed non-commercial the costs of the well will be expensed in the second quarter of 2010.

On 6 April 2010, Lundin Petroleum announced the completion of the spin-off of its business in the United Kingdom (UK) into a newly formed UK company called EnQuest PLC (EnQuest), in exchange for shares of EnQuest. The spin-off transaction also included Petrofac Limited, a London Stock Exchange-listed company, selling its UK based oil and gas operations to EnQuest in exchange for shares in EnQuest. EnQuest was incorporated for these transactions and following their completion is an independent oil and gas production and development company whose initial activities are focussed on the United Kingdom Continental Shelf (UKCS).

Lundin Petroleum received 55 percent of the outstanding shares of EnQuest in consideration for the sale of the UK business and Petrofac shareholders received 45 percent. On 9 April 2010, Lundin Petroleum distributed the shares it had received in EnQuest to its shareholders at a rate of 1.3474 EnQuest shares for each Lundin Petroleum share held.

The disposal of the UK business and the distribution to shareholders will be recorded in the second quarter 2010 report. The value of the distribution will be recorded at MUS\$ 657 (SEK 15 per share) and the gain on sale will be recorded at approximately MUS\$ 357.

Lundin Petroleum has consolidated the results of the UK business until 31 March 2010. As at 31 March 2010, Lundin Petroleum's UK business is shown on the face of the balance sheet as Assets held for distribution and Liabilities held for distribution and as Discontinued operations on the face of the income statement.

On 12 April 2010 Etrion announced the signing of an agreement to acquire a portfolio of Deutsche Bank solar assets in Italy for MEUR 10.3 plus a contingent deferred payment of MEUR 1.5. The portfolio contains both operating assets and permitted projects as well as projects in various stages of permitting. Etrion will fund the acquisition through a combination of cash on hand and a bridge loan from Lundin Petroleum. For more information refer to Etrion's website [www.etrion.ch](http://www.etrion.ch).

### **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 -10.3 (MSEK 6.1) for the three month period ended 31 March 2010.

The result included general and administrative expenses of MSEK 18.4 (MSEK 7.9) for the three month period ended 31 March 2010. Interest income derived from loans to subsidiary companies amounted to MSEK 0.1 (MSEK 1.9) for the three month period ended 31 March 2010. The reduction in interest income compared to the comparative period results from capitalisation in 2009 of a loan made to a subsidiary company. Net currency exchange gains amounted to less than MSEK 0.1 (MSEK 1.3) for the three month period ended 31 March 2010.

## SHARE DATA

Lundin Petroleum AB's issued share capital at 31 March 2010 amounted to SEK 3,179,106 represented by 317,910,580 shares with a quota value of SEK 0.01 each. At 31 March 2010, Lundin Petroleum held 4,490,300 of its own shares.

In 2007 Lundin Petroleum implemented a Long-Term Incentive Plan (LTIP) consisting of a Share Option Plan and a Performance Share Plan. Employees had the choice to select the Share Option Plan, the Performance Share Plan or a 50/50 allocation of both. Both plans have a performance condition attached to their allocation relative to Total Shareholder Return (TSR) compared to a peer group of companies. The options issued under the Share Option Plan were to be between 0 and 100 percent of the options awarded and the shares issued under the Performance Share Plan will be between 50 and 100 percent of the shares awarded. The period for the performance condition relating to the options expired on 30 November 2008 at which time 50 percent of the options awarded were issued as incentive warrants. Under the Performance Share Plan, Lundin Petroleum made a conditional award of 67,751 shares.

The incentive warrants outstanding at the end of the period and their expiry date and exercise prices are shown below:

Exercise price (SEK)	78.05
Number authorised	3,950,000
Number outstanding	1,400,750
Exercise period	1 Dec 2008 - 31 May 2010

In 2008 Lundin Petroleum implemented a new LTIP consisting of a Unit Bonus Plan which provides for the grant of units that will lead to a cash payment at vesting. The share price for determining the cash payment at the end of each vesting period will be the 5 trading day average closing Lundin Petroleum share price prior to and following the actual vesting date.

The AGM held on 13 May 2009 approved the 2009 LTIP and renewed the authorisation for the Board of Directors to decide on repurchases and sales of Lundin Petroleum shares. The LTIP is related to the Company's share price and is divided into one plan for senior executives (being the President and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Senior Vice President Operations) and one plan for certain other employees.

The LTIP for senior executives includes the issuance of 4,000,000 phantom options with an exercise price of SEK 72.76 equal to 110 percent of the average of the closing prices of the Company's shares on the Nasdaq OMX Nordic Exchange in Stockholm for the ten trading days immediately following the Annual General Meeting 2009. The phantom options will vest on the fifth anniversary of the date of grant and 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.

The LTIP for management other than senior executives includes the granting of 667,900 units that are converted into a cash award related to the Company's share price. The LTIP will be payable over a period of three years from award. The cash payment will be determined at the end of each vesting period by multiplying the number of units then vested by the share price.

Lundin Petroleum holds 4,490,300 of its own shares to partially hedge the costs associated with the various LTIPs.

On 9 April 2010, Lundin Petroleum distributed the shares of EnQuest that it had received in consideration for the sale of the UK business. Under the rules of the various LTIPs the distribution will trigger a recalculation of the number of units allocated and the strike price at which the options are exercisable. The recalculation includes the average trading price for Lundin Petroleum for the 25 trading days after the Lundin Petroleum share went ex-dividend and as such, the recalculated numbers are not available for inclusion in this report.

Etrion maintains a stock option plan, whereby options can be granted to officers and certain employees. Stock options have a term of between five and ten years. All stock options vest over three years and are exercisable at the market prices for the Etrion shares on the dates that the stock options were granted. Under particular

circumstances, Etrion's Compensation Committee may authorise different vesting periods for particular stock options granted.

As at 31 March 2010 the outstanding number of stock options under Etrion's plans amounted to 11,763,640 of which 7,571,972 are exercisable. Exercise prices vary in the range between CAD 0.25 and CAD 3.28.

Etrion has entered into a shareholders agreement with the minority shareholder of the renewable energy company of which Etrion holds a 90 percent interest. This agreement provides for issuance of further at the money options to prevent dilution to the 10 percent shareholder in relation to the first MEUR 100 of value from investments by Etrion. These options are viewed as being granted, subject to a performance condition relating to future investments. It is estimated that the performance condition is likely to be met over a remaining period of 3.25 years from 31 March 2010 and therefore the company has recorded a non-cash compensation liability of MUSD 1.6 of which MUSD 0.4 has been charged to the income statement in the three month period ended 31 March 2010. The total fair value of the stock options will be expensed over the vesting period, being the period from the grant date until the funds are estimated to be invested.

Etrion is fully consolidated in the Lundin Petroleum accounts and as such the related equity reserve for an amount of TUSD 8,452 is included within the Group's shareholders' equity. Of this amount TUSD 6,817 relates to the outstanding stock options and TUSD 1,635 relates to the mentioned shareholders agreement.

## **ACCOUNTING PRINCIPLES**

The financial statements of the Group have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Reporting, and the Swedish Annual Accounts Act (1995:1554). The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

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

IAS 21 states that a company may present its financial statements in any currency. The generally accepted currency of the oil industry is United States dollars (USD) and as such the Board of Directors of Lundin Petroleum has resolved that Lundin Petroleum will present its financial statements in USD with effect from 1 January 2010. The Board believes that presenting the financial statements in this currency will further assist readers in understanding the underlying financial position of the company and its results. As a consequence the comparative figures are translated into USD whereby assets and liabilities are translated at the closing rate at the date of that balance sheet and income and expenses are translated at the exchange rates at the dates of the transactions. Equity is translated against historical rates.

Under Swedish company regulations it is not allowed to report the parent company results in any other currency than SEK and consequently the parent company financial statements are still reported in SEK and not in USD.

## **RISKS AND UNCERTAINTIES**

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

### **Operational risk**

The Group faces a number of risks and uncertainties in the areas of operation which may have an adverse impact on its ability to successfully pursue its exploration, appraisal and development plans as well as on its production of oil and gas. A more detailed analysis of the operational risks faced by Lundin Petroleum is given in the Company's annual report for 2009.

Lundin Petroleum is, and will be, actively engaged in oil and gas operations in various countries. Risks may arise in changes in laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange and exchange control. Further, certain aspects of Lundin Petroleum's exploration and production programmes require the consent or favourable decisions of governmental bodies. In addition, Lundin Petroleum's exploration, development and production activities may be subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, taxation, royalties, duties, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which

Lundin Petroleum's operations are conducted, as well as risks of loss in some countries due to civil strife, acts of war, guerrilla activities and insurrection.

### Financial risk

As an international oil and gas exploration and production company operating globally, Lundin Petroleum is exposed to financial risks such as fluctuations in oil price, currency rates, interest rates as well as liquidity and credit risks. The Company shall seek to control these risks through sound management practice and the use of internationally accepted financial instruments, such as oil price, currency and interest rate hedges. Lundin Petroleum uses financial instruments solely for the purpose of minimising risks in the Company's business. A more detailed analysis of the financial risks faced by Lundin Petroleum and how it addresses these risks is given in the Company's annual report for 2009.

### Derivative financial instruments

The Group entered into an interest hedging contract on 8 January 2008, fixing the LIBOR rate of interest at 3.75 percent p.a. on MUSD 200 of the Group's USD borrowings for the period January 2008 to January 2012. The interest rate contract relates to the current credit facility. Under IAS 39, the interest rate contract is effective and qualifies for hedge accounting. Changes in fair value of this contract are charged directly to equity. At 31 March 2010, a provision has been recognised in the balance sheet amounting to MUSD 3.2 (MUSD 3.1), representing the long-term portion of the fair value of the outstanding part of the interest rate contract and a current liability in the balance sheet amounting to MUSD 6.6 (MUSD 6.4) representing the short-term portion of the fair value of the outstanding part of the interest rate contract.

Etrion entered into an interest hedging contract on 5 November 2009, fixing the 6-months EURIBOR rate of interest at 3.9 percent p.a. on 90 percent (MEUR 15.5) of Etrion's non-recourse loan for the period until 30 June 2028. The interest rate contract relates to the non-recourse loan of MEUR 17.2 of which MEUR 0.9 has been drawn as at 31 March 2010. Under IAS 39, the interest rate contract is not effective and does not qualify for hedge accounting. Changes in fair value of this contract are charged through the income statement. At 31 March 2010, a financial asset has been recognised in the balance sheet amounting to MUSD - (MUSD 0.2), a provision for derivative instruments has been recognised representing the long-term portion of the fair value of the outstanding part of the interest rate contract amounting to MUSD 0.9 (MUSD -) and a current liability in the balance sheet amounting to MUSD 0.3 (MUSD 0.7) has been recognised representing the short-term portion of the fair value of the outstanding part of the interest rate contract.

### EXCHANGE RATES

For the preparation of the financial statements for the three month period ended 31 March 2010, the following currency exchange rates have been used.

	Average	Period end
1 USD equals NOK	5.8573	5.9452
1 USD equals Euro	0.7224	0.7419
1 USD equals Rouble	29.8551	29.4495

## CONSOLIDATED INCOME STATEMENT

Expressed in TUSD	Note	1 Jan 2010- 31 Mar 2010 3 months	1 Jan 2010- 31 Mar 2010 3 months	1 Jan 2010- 31 Mar 2010 3 months	1 Jan 2009- 31 Mar 2009 3 months	1 Jan 2009- 31 Dec 2009 12 months
		Total	Discontinued operations	Continuing operations	Continuing operations	Continuing operations
<b>Operating income</b>						
Net sales of oil and gas	1	228,116	62,567	165,549	115,063	567,488
Other operating income		2,927	1,983	944	2,205	10,737
		231,043	64,550	<b>166,493</b>	117,268	578,225
<b>Cost of sales</b>						
Production costs	2	-71,212	-32,030	-39,182	-33,110	-161,701
Depletion of oil and gas properties	3	-41,861	-11,362	-30,499	-29,236	-118,128
Exploration costs	4	-33,564	-61	-33,503	-4,025	-134,792
Impairment costs for oil and gas properties		-	-	-	-	-525,719
Impairment cost for goodwill		-	-	-	-	-119,047
<b>Gross profit</b>		84,406	21,097	<b>63,309</b>	50,897	-481,162
Sale of assets		-	-	-	-	4,589
Other income		204	-	204	104	1,222
General, administration and depreciation expenses		-8,997	-323	-8,674	-3,894	-28,841
<b>Operating profit</b>		75,613	20,774	<b>54,839</b>	47,107	-504,192
<b>Result from financial investments</b>						
Financial income	5	6,376	360	6,016	7,161	82,031
Financial expenses	6	-7,925	-1,224	-6,701	-4,513	-52,472
		-1,549	-864	<b>-685</b>	2,648	29,559
<b>Result from share in associated company</b>		-	-	-	-913	-25,504
<b>Profit before tax</b>		74,064	19,910	<b>54,154</b>	48,842	-500,137
Tax	7	-49,551	-8,988	-40,563	-33,216	-45,669
<b>Net result from continuing operations</b>				<b>13,591</b>	15,626	-545,806
<b>Discontinued operations</b>						
Net result – UK	8		10,922	10,922	-4,174	8,737
<b>Net result</b>		24,513		<b>24,513</b>	11,452	-537,069
<b>Attributable to shareholders of the parent company:</b>						
From continuing operations				15,877	21,064	-420,005
From discontinued operations				10,922	-4,174	8,737
				<b>26,799</b>	16,890	-411,268
<b>Attributable to minority interest:</b>						
From continuing operations				-2,286	-5,438	-125,801
From discontinued operations				-	-	-
				<b>-2,286</b>	-5,438	-125,801
<b>Net result</b>				<b>24,513</b>	11,452	-537,069
<b>Earnings per share – USD <sup>1</sup></b>						
From continuing operations				0.06	0.07	-1.34
From discontinued operations				0.03	-0.02	0.03
				0.09	0.05	-1.31
<b>Diluted earnings per share – USD <sup>1</sup></b>						
From continuing operations				0.06	0.07	-1.34
From discontinued operations				0.03	-0.02	0.03
				0.09	0.05	-1.31

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



## STATEMENT OF COMPREHENSIVE INCOME

Expressed in TUSD	1 Jan 2010- 31 Mar 2010 3 months	1 Jan 2009- 31 Mar 2009 3 months	1 Jan 2009- 31 Dec 2009 12 months
<b>Net result</b>	<b>24,513</b>	11,452	-537,069
<b>Other comprehensive income</b>			
Exchange differences foreign operations	-33,670	-22,045	74,763
Cash flow hedges	-957	5,412	47,583
Available-for-sale financial assets	8,783	-6	-19,158
Income tax relating to other comprehensive income	-1,672	-902	-19,064
Other comprehensive income, net of tax	-27,516	-17,541	84,124
<b>Total comprehensive income</b>	<b>-3,003</b>	-6,089	-452,945
Total comprehensive income attributable to:			
Shareholders of the parent company	-1,512	10,418	-317,291
Minority interest	-1,491	-16,507	-135,654
	<b>-3,003</b>	-6,089	-452,945

## CONSOLIDATED BALANCE SHEET

Expressed in TUSD	Note	31 March 2010	31 December 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Oil and gas properties	9	1,940,562	2,540,348
Solar power properties		3,361	644
Other tangible assets		13,617	15,283
Goodwill		674	674
Other intangible assets		4,802	5,132
Financial assets	10	94,521	85,437
Deferred tax		20,008	27,850
<b>Total non-current assets</b>		<b>2,077,545</b>	2,675,368
<b>Current assets</b>			
Assets held for distribution	11	407,247	-
Receivables and inventory	12	149,872	197,952
Cash and cash equivalents		85,326	77,338
<b>Total current assets</b>		<b>642,445</b>	275,290
<b>TOTAL ASSETS</b>		<b>2,719,990</b>	2,950,658
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Shareholders' equity		1,140,844	1,141,658
Minority interest		94,064	95,555
<b>Total equity</b>		<b>1,234,908</b>	1,237,213
<b>Non-current liabilities</b>			
Provisions	13	611,860	897,622
Bank loans		570,438	545,729
Other non-current liabilities		14,559	12,598
<b>Total non-current liabilities</b>		<b>1,196,857</b>	1,455,949
<b>Current liabilities</b>			
Liabilities held for distribution	11	101,228	-
Other current liabilities	14	186,997	257,496
<b>Total current liabilities</b>		<b>288,225</b>	257,496
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,719,990</b>	2,950,658
Pledged assets		613,816	699,506
Contingent liabilities		-	-

## CONSOLIDATED STATEMENT OF CASH FLOW

Expressed in TUSD	1 Jan 2010- 31 Mar 2010 3 months	1 Jan 2009- 31 Mar 2009 3 months	1 Jan 2009- 31 Dec 2009 12 months
<b>Cash flow from operations</b>			
Net result	24,513	11,452	-537,069
Adjustments for non-cash related items	128,418	79,237	1,005,388
Interest received	28	557	3,381
Interest paid	-1,318	-1,527	-6,309
Income taxes paid	-6,470	-8,288	-26,305
Changes in working capital	-26,747	-40,790	50,512
<b>Total cash flow from operations</b>	<b>118,424</b>	<b>40,641</b>	<b>489,598</b>
<b>Cash flow used for investments</b>			
Sale of other shares and participations	164	-	12,285
Change in other financial fixed assets	-80	-1,640	-194
Other payments	-115	-3	-2,050
Divestment of fixed assets	-	11	-
Investment in intangible fixed assets	-	-	-2,161
Investment in oil and gas properties	-112,479	-129,104	-514,313
Investment in solar power properties	-2,833	-	-644
Investment in office equipment and other assets	-751	-778	-2,391
<b>Total cash flow used for investments</b>	<b>-116,094</b>	<b>-131,514</b>	<b>-509,468</b>
<b>Cash flow from financing</b>			
Changes in long-term bank loan	27,011	86,275	4,750
Paid financing fees	-48	-41	-97
Dividend paid to minority	-	-	-46
<b>Total cash flow from financing</b>	<b>26,963</b>	<b>86,234</b>	<b>4,607</b>
Change in cash and cash equivalents	29,293	-4,639	-15,263
Cash and cash equivalents at the beginning of the period	77,338	57,445	57,445
Acquired on consolidation	-	-	26,489
Held for distribution	-25,003	-	-
Currency exchange difference in cash and cash equivalents	3,698	6,657	8,667
<b>Cash and cash equivalents at the end of the period</b>	<b>85,326</b>	<b>59,463</b>	<b>77,338</b>
<b>Total cash flow from operations</b>			
From continuing operations	83,064	54,720	433,227
From/used for discontinued operations - UK	35,360	-14,079	56,371
	<b>118,424</b>	<b>40,641</b>	<b>489,598</b>
<b>Total cash flow used for investments</b>			
Used for continuing operations	-98,711	-115,151	-443,342
Used for discontinued operations - UK	-17,383	-16,363	-66,126
	<b>-116,094</b>	<b>-131,514</b>	<b>-509,468</b>
<b>Total cash flow from/used for financing</b>			
From continuing operations	26,963	81,234	19,607
From/used for discontinued operations - UK	-	5,000	-15,000
	<b>26,963</b>	<b>86,234</b>	<b>4,607</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Expressed in TUSD	Share capital	Additional paid-in-capital/ Other reserves	Retained earnings	Net result	Minority interest	Total equity
<b>Balance at 1 January 2009</b>	<b>463</b>	<b>754,104</b>	<b>613,917</b>	<b>93,958</b>	<b>179,793</b>	<b>1,642,235</b>
Transfer of prior year net result	-	-	93,958	-93,958	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-6,089</b>	<b>-383</b>	<b>16,890</b>	<b>-16,507</b>	<b>-6,089</b>
Issuance of shares	-	-	-	-	-	-
Share based payments	-	-	4	-	-	4
Minority share in dividend paid	-	-	-	-	-	-
<b>Balance at 31 March 2009</b>	<b>463</b>	<b>748,015</b>	<b>707,496</b>	<b>16,890</b>	<b>163,286</b>	<b>1,636,150</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>99,318</b>	<b>1,131</b>	<b>-428,158</b>	<b>-119,147</b>	<b>-446,856</b>
Acquired on consolidation	-	14,899	6,225	-	18,770	39,894
Divestments	-	-26,195	-	-	32,692	6,497
Transfer of share based payments	-	4,341	-4,341	-	-	-
Share based payments	-	-	1,574	-	-	1,574
Minority share in dividend paid	-	-	-	-	-46	-46
<b>Balance at 31 December 2009</b>	<b>463</b>	<b>840,378</b>	<b>712,085</b>	<b>-411,268</b>	<b>95,555</b>	<b>1,237,213</b>
Transfer of prior year net result	-	-	-411,268	411,268	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-28,260</b>	<b>-51</b>	<b>26,799</b>	<b>-1,491</b>	<b>-3,003</b>
Transfer of share based payments	-	619	-619	-	-	-
Share based payments	-	-	698	-	-	698
Minority share in dividend paid	-	-	-	-	-	-
<b>Balance at 31 March 2010</b>	<b>463</b>	<b>812,737</b>	<b>300,845</b>	<b>26,799</b>	<b>94,064</b>	<b>1,234,908</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>Note 1. Segment information,</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
TUSD			
<b>Operating income</b>			
Net sales of:			
Crude oil			
- Netherlands	37	64	139
- France	22,754	15,690	77,871
- Norway	88,211	48,975	296,231
- Indonesia	8,721	4,112	36,617
- Russia	16,787	14,095	74,398
- Tunisia	15,308	12,161	25,469
	<b>151,818</b>	<b>95,097</b>	<b>510,725</b>
Condensate			
- Netherlands	144	115	848
- Indonesia	22	12	124
	<b>166</b>	<b>127</b>	<b>972</b>
Gas			
- Norway	5,096	6,060	18,257
- Netherlands	8,422	13,745	37,354
- Indonesia	47	34	180
	<b>13,565</b>	<b>19,839</b>	<b>55,791</b>
<b>Net sales from continuing operations</b>	<b>165,549</b>	<b>115,063</b>	<b>567,488</b>
Net sales from discontinued operations - UK	62,567	31,377	228,111
<b>Total net sales</b>	<b>228,116</b>	<b>146,440</b>	<b>795,599</b>
<b>Operating profit contribution</b>			
- France	13,386	4,094	36,230
- Norway	41,144	37,508	153,045
- Netherlands	2,217	8,173	15,125
- Russia	906	-579	-700,677
- Indonesia	1,944	833	3,638
- Tunisia	3,986	1,488	3,159
- Sudan	-	-867	1,582
- Vietnam	-	-	-7,203
- Congo (Brazzaville)	-	-	-2,525
- Other	-8,744	-3,543	-6,566
<b>Operating profit contribution from continuing operations</b>	<b>54,839</b>	<b>47,107</b>	<b>-504,192</b>
Operating profit contribution from discontinued operations - UK	20,774	-2,142	35,919
<b>Total operating profit contribution</b>	<b>75,613</b>	<b>44,965</b>	<b>-468,273</b>
<b>Note 2. Production costs,</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
TUSD			
Cost of operations	20,828	21,466	101,805
Tariff and transportation expenses	2,838	4,734	15,738
Direct production taxes	10,616	7,366	40,987
Change in inventory/ overlift position	4,214	-1,159	89
Other	686	703	3,082
<b>Production costs from continuing operations</b>	<b>39,182</b>	<b>33,110</b>	<b>161,701</b>
Production costs from discontinued operations - UK	32,030	22,481	140,036
<b>Total production costs</b>	<b>71,212</b>	<b>55,591</b>	<b>301,737</b>

<b>Note 3. Depletion of oil and gas properties,</b> TUSD	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	1 Jan 2009- 31 Mar 2009 3 months	1 Jan 2009- 31 Dec 2009 12 months
France	3,347	3,044	12,821
Norway	20,287	15,956	65,301
Netherlands	4,451	3,702	12,727
Indonesia	798	1,008	7,334
Russia	1,616	2,114	8,627
Tunisia	-	3,412	11,318
<b>Depletion from continuing operations</b>	<b>30,499</b>	29,236	118,128
Depletion from discontinued operations - UK	11,362	12,722	51,778
<b>Total depletion</b>	<b>41,861</b>	41,958	169,906

<b>Note 4. Exploration costs</b> TUSD	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	1 Jan 2009- 31 Mar 2009 3 months	1 Jan 2009- 31 Dec 2009 12 months
France	-	2,587	3,128
Russia	-	-	35,000
Congo (Brazzaville)	-	-	2,522
Netherlands	-	14	41
Norway	33,051	-	69,544
Vietnam	-	-	7,203
Indonesia	53	-	3,712
Cambodia	18	-	10,989
Other	381	1,424	2,653
<b>Exploration costs from continuing operations</b>	<b>33,503</b>	4,025	134,792
Exploration costs from discontinued operations - UK	61	28	6,149
<b>Total exploration costs</b>	<b>33,564</b>	4,053	140,941

<b>Note 5. Financial income,</b> TUSD	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	1 Jan 2009- 31 Mar 2009 3 months	1 Jan 2009- 31 Dec 2009 12 months
Interest income	648	698	4,595
Dividends received	-	356	549
Foreign exchange gain, net	4,854	6,059	66,019
Fair value adjustment pension	-75	-115	-127
Insurance proceeds	362	-	0
Gain on sale of shares	-	-	10,244
Other financial income	227	163	751
<b>Financial income from continuing operations</b>	<b>6,016</b>	7,161	82,031
Financial income from discontinued operations - UK	360	20	32
<b>Total financial income</b>	<b>6,376</b>	7,181	82,063

<b>Note 6. Financial expenses,</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
TUSD			
Interest expenses	1,244	1,737	8,895
Result on interest rate hedge settlement	1,751	1,048	5,669
Change in market value interest rate hedge	942	-	452
Unwind site restoration discount	1,026	596	2,490
Amortisation of deferred financing fees	397	540	2,539
Loss on sale of shares	972	-	-
Other financial expenses	369	592	32,427
<b>Financial expense from continuing operations</b>	<b>6,701</b>	<b>4,513</b>	<b>52,472</b>
Financial expense from discontinued operations - UK	1,224	9,205	24,398
<b>Total financial expense</b>	<b>7,925</b>	<b>13,718</b>	<b>76,870</b>

<b>Note 7. Tax,</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
TUSD			
<b>Continuing operations</b>			
Current tax	6,820	-8,501	32,014
Deferred tax	33,743	41,717	13,655
<b>Total tax from continuing operations</b>	<b>40,563</b>	<b>33,216</b>	<b>45,669</b>
<b>Discontinued operations</b>			
Current tax	7,315	-	6,546
Deferred tax	1,673	-7,153	-3,730
<b>Total tax from discontinued operations - UK</b>	<b>8,988</b>	<b>-7,153</b>	<b>2,816</b>
<b>Total tax</b>	<b>49,551</b>	<b>26,063</b>	<b>48,485</b>

<b>Note 8. Discontinued operations - UK,</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
TUSD			
Net sales	62,567	31,377	228,111
Other operating income	1,983	1,467	5,906
<b>Operating income</b>	<b>64,550</b>	<b>32,844</b>	<b>234,017</b>
Production costs	-32,030	-22,481	-140,036
Depletion of oil and gas properties	-11,362	-12,722	-51,778
Exploration costs	-61	-28	-6,149
General, administration and depreciation expenses	-323	245	-135
<b>Operating profit</b>	<b>20,774</b>	<b>-2,142</b>	<b>35,919</b>
Financial income	360	20	32
Financial expenses	-1,224	-9,205	-24,398
<b>Profit before tax</b>	<b>19,910</b>	<b>-11,327</b>	<b>11,553</b>
Tax	-8,988	7,153	-2,816
<b>Net result from discontinued operations</b>	<b>10,922</b>	<b>-4,174</b>	<b>8,737</b>

<b>Note 9. Oil and gas properties,</b> TUSD	<b>Book amount</b> <b>31 Mar 2010</b>	Book amount 31 Dec 2009
United Kingdom	-	588,885
France	158,064	168,907
Norway	939,252	951,793
Netherlands	54,606	61,670
Indonesia	95,648	90,528
Russia	606,781	598,719
Tunisia	212	210
Congo (Brazzaville)	30,432	29,800
Vietnam	20,494	16,563
Malaysia	33,067	31,473
Others	2,006	1,800
	<b>1,940,562</b>	<b>2,540,348</b>

<b>Note 10. Financial assets,</b> TUSD	<b>Book amount</b> <b>31 Mar 2010</b>	Book amount 31 Dec 2009
Other shares and participations	37,828	32,369
Capitalised financing fees	6,691	7,514
Long-term receivable	24,014	24,239
Derivative instruments	-	231
Other financial assets	25,988	21,084
	<b>94,521</b>	<b>85,437</b>

<b>Note 11. Spin-off UK business,</b> TUSD	<b>Book amount</b> <b>31 Mar 2010</b>	Book amount 31 Dec 2009
<b>Assets held for distribution</b>		
Oil and gas properties	339,205	-
Other tangible assets	1,180	-
Deferred tax	2,486	-
Trade receivable	27,854	-
Other current assets	11,519	-
Cash and cash equivalents	25,003	-
<b>Total assets held for distribution</b>	<b>407,247</b>	<b>-</b>
<b>Liabilities held for distribution</b>		
Provision for site restoration	53,663	-
Other provisions	829	-
Trade payables	11,051	-
Tax payables	6,813	-
Other current liabilities	28,872	-
<b>Total liabilities held for distribution</b>	<b>101,228</b>	<b>-</b>
<b>Net assets held for distribution</b>	<b>306,019</b>	<b>-</b>

<b>Note 12. Receivables and inventories,</b> TUSD	<b>Book amount</b> <b>31 Mar 2010</b>	Book amount 31 Dec 2009
Inventories	18,600	27,373
Trade receivables	54,604	80,721
Underlift	10,961	8,649
Short-term loan receivable	31,305	33,907
Corporation tax	157	2,241
Joint venture debtors	21,300	28,930
Other assets	12,945	16,131
	<b>149,872</b>	<b>197,952</b>

<b>Note 13. Provisions,</b> TUSD	<b>Book amount</b> <b>31 Mar 2010</b>	Book amount 31 Dec 2009
Site restoration	77,724	132,698
Pension	1,353	1,354
Deferred taxes	506,046	743,646
Derivative instruments	4,096	3,122
Other	22,641	16,802
	<b>611,860</b>	<b>897,622</b>



<b>Note 14. Other current liabilities, TUSD</b>	<b>Book amount 31 Mar 2010</b>	<b>Book amount 31 Dec 2009</b>
Trade payables	17,959	20,487
Overlift	2,599	1,287
Tax payables	20,963	20,870
Accrued expenses	8,054	16,472
Acquisition liabilities	6,890	7,238
Joint venture creditors	87,099	140,046
Short-term loans	30,900	32,400
Derivative instruments	6,959	7,074
Other liabilities	5,574	11,622
	<b>186,997</b>	<b>257,496</b>

## PARENT COMPANY INCOME STATEMENT IN SUMMARY

Expressed in TSEK	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
<b>Operating income</b>			
Other operating income	8,178	10,817	33,154
<b>Gross profit</b>	<b>8,178</b>	10,817	33,154
General and administration expenses	-18,425	-7,937	-49,281
<b>Operating profit</b>	<b>-10,247</b>	2,880	-16,127
<b>Result from financial investments</b>			
Financial income	491	3,230	8,589
Financial expenses	-30	-17	-7,133
	<b>461</b>	3,213	1,456
<b>Profit before tax</b>	<b>-9,786</b>	6,093	-14,671
Tax	-550	-	-17,600
<b>Net result</b>	<b>-10,336</b>	6,093	-32,271

## PARENT COMPANY COMPREHENSIVE INCOME STATEMENT IN SUMMARY

Expressed in TSEK	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
<b>Net result</b>	<b>-10,336</b>	6,093	-32,271
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>-10,336</b>	6,093	-32,271
Total comprehensive income attributable to:			
Shareholders of the parent company	-10,336	6,093	-32,271
Minority interest	-	-	-
	<b>-10,336</b>	6,093	-32,271

## PARENT COMPANY BALANCE SHEET IN SUMMARY

Expressed in TSEK	31 March 2010	31 December 2009
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets	7,882,027	7,891,762
<b>Total non-current assets</b>	<b>7,882,027</b>	<b>7,891,762</b>
<b>Current assets</b>		
Receivables	5,175	5,365
Cash and cash equivalents	681	532
<b>Total current assets</b>	<b>5,856</b>	<b>5,897</b>
<b>TOTAL ASSETS</b>	<b>7,887,883</b>	<b>7,897,659</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity including net result for the period	7,830,551	7,840,752
Provision	36,403	36,403
Current liabilities	20,929	20,504
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,887,883</b>	<b>7,897,659</b>
Pledged assets	4,423,400	4,978,037
Contingent liabilities	-	-

## PARENT COMPANY CASH FLOW STATEMENT IN SUMMARY

Expressed in TSEK	1 Jan 2010- 31 Mar 2010 3 months	1 Jan 2009- 31 Mar 2009 3 months	1 Jan 2009- 31 Dec 2009 12 months
<b>Cash flow used for operations</b>			
Net result	-10,336	6,093	-32,271
Adjustments for non- cash related items	507	-1,287	18,958
Changes in working capital	78	-2,621	11,744
<b>Total cash flow used for operations</b>	<b>-9,751</b>	2,185	-1,569
<b>Cash flow from investments</b>			
Change in other financial fixed assets	9,891	-2,501	738
Investment in subsidiaries	-	-	-
<b>Total cash flow from investments</b>	<b>9,891</b>	-2,501	738
<b>Cash flow used for financing</b>	-	-	-
Change in cash and cash equivalents	140	-316	-831
Cash and bank at the beginning of the period	532	1,184	1,184
Currency exchange difference in cash and cash equivalents	9	301	179
<b>Cash and cash equivalents at the end of the period</b>	<b>681</b>	1,169	532

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Expressed in TSEK	Restricted Equity		Unrestricted equity			Total equity
	Share Capital	Statutory reserve	Other Reserves	Retained Earnings	Net result	
<b>Balance at 1 January 2009</b>	<b>3,179</b>	<b>861,306</b>	<b>5,089,856</b>	<b>1,855,683</b>	<b>62,778</b>	<b>7,872,802</b>
Transfer of prior year net result	-	-	-	62,778	-62,778	-
<b>Total comprehensive income</b>	-	-	-	-	6,093	6,093
Transfer of share based payments	-	-	-	-	-	-
Share based payments	-	-	-	33	-	33
<b>Balance at 31 March 2009</b>	<b>3,179</b>	<b>861,306</b>	<b>5,089,856</b>	<b>1,918,494</b>	<b>6,093</b>	<b>7,878,928</b>
<b>Total comprehensive income</b>	-	-	-	-	-38,364	-38,364
Transfer of share based payments	-	-	30,894	-30,894	-	-
Share based payments	-	-	-	188	-	188
<b>Balance at 31 December 2009</b>	<b>3,179</b>	<b>861,306</b>	<b>5,120,750</b>	<b>1,887,788</b>	<b>-32,271</b>	<b>7,840,752</b>
Transfer of prior year net result	-	-	-	-32,271	32,271	-
<b>Total comprehensive income</b>	-	-	-	-	-10,336	-10,336
Transfer of share based payments	-	-	4,462	-4,462	-	-
Share based payments	-	-	-	135	-	135
<b>Balance at 31 March 2010</b>	<b>3,179</b>	<b>861,306</b>	<b>5,125,212</b>	<b>1,851,190</b>	<b>-10,336</b>	<b>7,830,551</b>

## KEY FINANCIAL DATA

<b>Data per share</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
Shareholders' equity USD per share <sup>1</sup>	3.64	4.70	3.64
Operating cash flow USD per share <sup>2</sup>	0.46	0.33	1.51
Cash flow from operations USD per share <sup>3</sup>	0.38	0.13	1.56
Earnings USD per share <sup>4</sup>	0.09	0.05	-1.31
Earnings USD per share fully diluted <sup>5</sup>	0.09	0.05	-1.31
EBITDA USD per share fully diluted <sup>6</sup>	0.48	0.29	1.54
Dividend per share	-	-	-
Quoted price at the end of the financial period (regards the parent company), USD <sup>7</sup>	8.49	5.44	7.95
Number of shares issued at period end	317,910,580	317,910,580	317,910,580
Number of shares in circulation at period end	313,420,280	313,420,280	313,420,280
Weighted average number of shares for the period <sup>8</sup>	313,420,280	313,420,280	313,420,280
Weighted average number of shares for the period (fully diluted) <sup>8</sup>	313,420,280	313,420,280	313,420,280
<b>Key data group</b>	<b>1 Jan 2010- 31 Mar 2010 3 months</b>	<b>1 Jan 2009- 31 Mar 2009 3 months</b>	<b>1 Jan 2009- 31 Dec 2009 12 months</b>
Return on equity, % <sup>9</sup>	2	1	-37
Return on capital employed, % <sup>10</sup>	4	2	-29
Net debt/equity ratio, % <sup>11</sup>	42	40	40
Equity ratio, % <sup>12</sup>	42	49	42
Share of risk capital, % <sup>13</sup>	66	69	66
Interest coverage ratio, % <sup>14</sup>	1,670	1,120	-2,865
Operating cash flow/interest ratio <sup>15</sup>	3,323	2,696	2,605
Yield <sup>16</sup>	-	-	-

The data per share and the key data are based on the total of the continuing and discontinued operations.

<sup>1</sup> the Group's shareholders' equity divided by the number of shares at period end.

<sup>2</sup> the Group's operating income less production costs and less current taxes divided by the weighted average number of shares for the period.

<sup>3</sup> cash flow from operations in accordance with the consolidated statement of cash flow divided by the weighted average number of shares for the period.

<sup>4</sup> the Group's net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the period.

<sup>5</sup> the Group's net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the period after considering the dilution effect of outstanding warrants.

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

<sup>7</sup> the quoted price in USD is based on the quoted price in SEK converted in USD against the closing rate of the period.

<sup>8</sup> the number of shares at the beginning of the period with new issue of shares weighted for the proportion of the period they are in issue.

<sup>9</sup> the Group's net result divided by the Group's average total equity.

<sup>10</sup> the Group's income before tax plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average balance sheet total less non-interest bearing liabilities).

<sup>11</sup> the Group's net interest bearing liabilities in relation to shareholders' equity.

<sup>12</sup> the Group's total equity in relation to balance sheet total.

<sup>13</sup> the sum of the total equity and the deferred tax provision divided by the balance sheet total.

<sup>14</sup> the Group's result after financial items plus interest expenses plus/less exchange differences on financial loans divided by interest expenses.

<sup>15</sup> the Group's operating income less production costs and less current taxes divided by the interest charge for the period.

<sup>16</sup> dividend in relation to quoted share price at the end of the financial period.

## **Financial information**

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

- The six month report (January – June 2010) will be published on 4 August 2010.
- The nine month report (January – September 2010) will be published on 3 November 2010.

The Annual General Meeting will be held on 6 May 2010 at the movie theatre Skandia Drottninggatan in Stockholm.

Stockholm, 5 May 2010

C. Ashley Heppenstall  
President & CEO

The financial information relating to the three month period ended 31 March 2010 has not been subject to review by the auditors of the company.