Q1

Report for the
THREE MONTHS
ended 31 March 2018

Lundin Petroleum AB (publ)

company registration number 556610-8055

Highlights

First quarter highlights

- Strong EBITDA, operating cash flow and net result.
- Free cash flow of approximately MUSD 170.
- Production above guidance.
- Operating cost of USD 3.82 per barrel.
- Positive appraisal result on Luno II with PDO submission planned around the end of 2018.

Financial summary

	1 Jan 2018- 31 Mar 2018 3 months	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Production in Mboepd	**83.1**	82.6	86.1
Revenue and other income in MUSD	**692.9**	421.5	1,997.0
EBITDA in MUSD	**456.5**	355.8	1,501.5
Operating cash flow in MUSD	**461.8**	365.9	1,530.0
Net result in MUSD	**228.8**	59.2	380.9
Earnings/share in USD[1]	**0.68**	0.18	1.13
Earnings/share fully diluted in USD[1]	**0.67**	0.18	1.13
Net debt	**3,724.4**	4,028.7	3,883.6

The numbers included in the table above for 2017 are based on continuing operations.
[1] Based on net result attributable to shareholders of the Parent Company.

Comment from Alex Schneiter, President and CEO of Lundin Petroleum:

"With production above guidance and a further reduced operating cost, I am pleased to report that Lundin Petroleum has delivered a strong financial performance for the first quarter 2018. With free cash flow generation of approximately MUSD 170 before debt repayments, we are already close to matching the free cash flow generated for the full year 2017. Significant increases in EBITDA and operating cash flow means that we can report a net result that is close to four times the net result for the same period in 2017. These results truly set the tone for what we believe will be another profitable and successful year for Lundin Petroleum. Our production guidance for 2018 remains unchanged at between 74 to 82 Mboepd.

The very active offshore installation programme for Phase 1 of Johan Sverdrup has recently begun. The steel jacket for the drilling platform and the topsides for the riser platform were successfully installed on the field in April. I was impressed to see, during my visit to the Haugesund yard in Norway last month, the large topside for the drilling platform being prepared for installation in June this year. Work on Phase 2 is also well underway and we will submit the Phase 2 PDO before September 2018.

Our organic growth strategy continues to deliver with the recent successful appraisal of the Luno II discovery, located just south of the Edvard Grieg field, where development studies will be progressed with the aim of submitting a PDO around the end of 2018. We are also looking forward to the results from the appraisal of the nearby Rolvsnes discovery, which if successful, could be another likely tie-back development to the Edvard Grieg platform. In addition, drilling is ongoing for an extended well test at the Alta discovery in the southern Barents Sea, which will give us important information for further appraisal and development activities and improve our understanding of this frontier area.

The exploration programme for 2018 has been updated to ten wells, targeting a revised total of approximately 600 MMboe of net unrisked resources in our six core exploration areas. I firmly believe in our ability to continue to find new resources and with a clear and active organic growth strategy, the future looks as promising as ever for our Company."

Lundin Petroleum is one of Europe's leading independent oil and gas exploration and production companies with operations focused on Norway and listed on NASDAQ Stockholm (ticker "LUPE"). Read more about Lundin Petroleum's business and operations at www.lundin-petroleum.com

For definitions and abbreviations, see page 28.

OPERATIONAL REVIEW

All the reported numbers and updates in the operational review relate to the three month period ending 31 March 2018 (reporting period) unless otherwise specified.

Norway

Production

Production was 83.1 thousand barrels of oil equivalent per day (Mboepd) (compared to 82.6 Mboepd for the same period in 2017) which was 4 percent above the mid-point of the production guidance and above the top of the guidance range. This performance is due to strong facilities and reservoir performance at both the Edvard Grieg field and the Alvheim area. Production guidance for the full year is between 74 and 82 Mboepd.

Operating cost, including netting off tariff income, was USD 3.82 per barrel and was 7 percent below guidance mainly due to increased production volumes. Operating cost guidance for the full year is USD 4.15 per barrel.

Production in Mboepd	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Norway			
Crude oil	73.6	74.6	77.6
Gas	9.5	8.0	8.5
Total production	**83.1**	82.6	86.1
Quantity in Mboe	**7,481.7**	7,430.4	31,427.7

Production in Mboepd	WI[1]	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Edvard Grieg	65%	63.9	63.5	66.7
Ivar Aasen	1.385%	0.9	0.6	0.7
Alvheim	15%	8.9	14.6	12.4
Volund	35%	8.2	0.3	3.9
Bøyla	15%	1.0	1.2	1.1
Brynhild	51%[2]	0.1	2.2	1.2
Gaupe	40%	0.1	0.2	0.2
		83.1	82.6	86.1

[1] Lundin Petroleum's working interest (WI)
[2] WI 90% up to 30 November 2017

Production from the Edvard Grieg field was higher than forecast due to strong production efficiency above guidance at 98 percent. During the reporting period the eighth and ninth production wells were successfully drilled with results in line or better than prognosis. The tenth and final PDO production well is currently drilling, targeting the northern area of the field and the Rowan Viking jack-up drilling rig will demobilize following completion of this well. The production capacity from the nine production wells drilled so far exceeds expectations and significantly exceeds the facilities capacity contractually available for Edvard Grieg production. Reservoir performance continues to exceed expectations with no material water production to date. A 4D seismic survey will be acquired over the field during the third quarter 2018 in order to support an infill drilling programme that is being planned for 2020. Operating cost for the Edvard Grieg field, including netting off tariff income, was USD 3.59 per barrel.

Production from the Ivar Aasen field was in line with forecast. During April 2018, the drilling of two infill water injection wells commenced to improve pressure support to the eastern area of the field.

Production from the Alvheim area, consisting of the Alvheim, Volund and the Bøyla fields, was ahead of forecast due to better than expected reservoir performance as well as higher than expected Alvheim FPSO production efficiency of 98 percent. The two infill wells drilled during 2017 in the Boa area of the Alvheim field were brought on stream in February 2018 and are producing at rates significantly ahead of expectations. Two further infill wells are planned during the second half of 2018, one targeting the Kameleon area of the Alvheim field and the other a sidetrack of an existing Volund well. Operating cost for the Alvheim area was USD 4.22 per barrel.

Brynhild production was limited and was below forecast. The flow restriction that developed in the pipeline between the Brynhild subsea wells and the Haewene Brim FPSO during 2017 due to an oil-water emulsion has been cleared and the field is ready to re-start. However, the FPSO is having issues processing the water being produced from the Pierce field and Brynhild cannot re-start production while this issue continues, which the operator of the FPSO is working to resolve.

Despite no remaining reserves being attributed to the Gaupe field, the field is producing intermittently subject to favourable economic conditions.

Development

Field	WI	Operator	PDO Approval	Estimated gross reserves	Production start expected	Expected gross plateau production
Johan Sverdrup	22.6%	Statoil	August 2015	2.1 — 3.1 Bn boe	Late 2019	660 Mbopd

Johan Sverdrup

Phase 1 of the Johan Sverdrup project is on schedule with approximately 70 percent completed and remains firmly on track for first oil in late 2019.

2018 is a key installation year for Phase 1 of the project. The steel jacket for the drilling platform was successfully installed offshore in April 2018. Also during April 2018, the three modules making up the riser platform topsides were successfully installed offshore on the steel jacket that was installed in 2017. Offshore hook-up and commissioning of the installed topsides will commence in May 2018. The civil works are well advanced on the onshore power system at Haugsneset and for the oil export pipeline landfall at Mongstad. Installation of the export pipelines commenced in late April 2018 and the installation of the power from shore cable is scheduled to commence during May 2018. The drilling platform topside was assembled on a barge on schedule in September 2017 and is currently located at the Aibel yard in Haugesund in Norway for final hook-up and completion. Construction of the remaining two steel jackets is underway at the Kvaerner Verdal yard in Norway and at the Dragados yard in Spain. The drilling platform topsides and the remaining two steel jackets are scheduled to be installed by September 2018.

Construction of the topsides for the process platform is ongoing at Samsung Heavy Industries in Korea and for the living quarters platform at the Kvaerner Stord yard in Norway. Both these topsides are scheduled for installation in Spring 2019.

Eight production wells and ten water injection wells have been completed to date with results generally in line or better than expected. Pre-drilling activities have been completed significantly ahead of schedule and the remaining contracted rig time has been sublet.

At the time of submitting the Phase 1 PDO in 2015, the capital expenditure for Phase 1 was estimated at gross NOK 123 billion (nominal). Due to improvements in project execution and delivery, the latest cost estimate for Phase 1 is NOK 88 billion (nominal), which represents a saving of approximately 30 percent, excluding additional foreign exchange rate savings in US dollar terms. The gross production capacity for Phase 1 is estimated to 440 Mbopd.

Phase 2 of the project will involve the installation of an additional processing platform bridge linked to the Phase 1 field centre and additional subsea facilities to allow the tie-in of additional wells to access the Avaldsnes, Kvitsøy and Geitungen satellite areas of the field. 28 new wells are planned to be drilled in connection with the Phase 2 development. These additional facilities will take the full field gross plateau production level to 660 Mbopd. The cost for Phase 2 is estimated at below NOK 45 billion (nominal), which represents approximately a 50 percent reduction compared to the original estimate in the PDO for Phase 1, due to a combination of market conditions and optimisation of the Phase 2 facilities. Front End Engineering Design (FEED) has been completed. The PDO submission for Phase 2 is scheduled before September 2018 and production is scheduled to start in 2022. To secure synergies with the Phase 1 project, pre-commitment has been made to long lead equipment items for Phase 2 and in addition, letters of intent have been awarded to Aibel for an engineering, procurement and construction (EPC) contract for the Phase 2 process platform topsides and to a joint venture of Aker Solutions and Kvaerner for an EPC contract for modifications to the Phase 1 field centre to accommodate Phase 2.

Full field breakeven oil price is estimated at below 20 USD per barrel.

Appraisal

2018 appraisal well programme

Licence	Operator	WI	Well	Spud Date	Status
PL359	Lundin Norway	50%	Luno II (16/4-11)	February 2018	Completed March 2018
PL338C	Lundin Norway	50%	Rolvsnes (16/1-28 S)	April 2018	Ongoing
PL609	Lundin Norway	40%	Alta (7220/11-5)	April 2018	Ongoing
PL203	Aker BP	15%	Gekko (25/4-12 A)	May or November 2018, depending on rig availability	

The Luno II appraisal well was successfully completed in March 2018 and encountered a gross oil column of 22 metres in Triassic sandstones with very good reservoir quality, which was significantly better than expected. Following the positive well results, the gross resource range for the Luno II discovery has been increased to between 40 and 100 MMboe and development studies will now be progressed with the objective of submitting a PDO around the end of 2018. The development concept for Luno II is a subsea tie-back to the nearby Edvard Grieg platform.

In April 2018, appraisal drilling commenced on the Rolvsnes oil discovery in PL338C in the Utsira High area in the North Sea. The main objective is to confirm commercial rates from a horizontal appraisal well that will be drilled in fractured and weathered basement reservoirs. Rolvsnes is also considered a potential tie-back development to Edvard Grieg.

Drilling for extended well testing commenced on the Alta discovery in the southern Barents Sea in April 2018 to prove sustainable production rates and reduce the uncertainty around the recovery mechanism in the karstified and fractured carbonate reservoirs. A successful outcome of the extended well test will provide important information to progress further appraisal drilling and field development studies. The extended well test is being conducted by the Leiv Eiriksson rig, for which a flexible contract with multiple option slots is in place.

Exploration

2018 exploration well programme

Licence	Operator	WI	Well	Spud Date	Result
PL340	Aker BP	15%	Frosk (24/9-12)	January 2018	Oil discovery
PL167	Statoil	20%	Lille Prinsen (16/1-29S)	April 2018	Ongoing
PL659	Aker BP	20%	Svanefjell (7221/12-1)	May 2018	
PL859	Statoil	15%	Korpfjell Deep (7335/3-1)	Third quarter 2018	
PL830	Lundin Norway	40%	Silfari (6307/1-1)	Third quarter 2018	
PL857	Statoil	20%	Gjøkåsen Shallow (7132/2-1)	Third quarter 2018	
PL825	Faroe Petroleum	30%	Rungne (30/6-30)	Third quarter 2018	
PL860	MOL	40%	Driva/Oppdal (2/6-6)	Third quarter 2018	
PL857	Statoil	20%	Gjøkåsen Deep (not available yet)	Fourth quarter 2018	
PL916	Aker BP	20%	JK (not available yet)	Fourth quarter 2018	

The 2018 exploration drilling programme has been updated to ten wells, targeting net unrisked resources of approximately 600 MMboe. Drilling of the Gjøkåsen Deep prospect has accelerated to 2018 and will be drilled back-to-back with the Gjøkåsen Shallow well. Drilling of the JK prospect in the newly awarded 2017 APA block has also been accelerated to 2018. Further drilling of the Shenzhou prospect in PL722 in the southern Barents Sea has moved to 2019 due to well design considerations. Following this update, the appraisal and exploration guidance for 2018 has been increased from MUSD 250 to MUSD 300.

In February 2018, the Frosk prospect in the North Sea, located northwest of the Bøyla field, proved an oil discovery. The discovery is estimated to contain gross resources of between 30 and 60 MMboe, which is significantly more than the pre-drill estimates and has a positive impact on the assessment of further exploration potential in the area. A follow-up well on the Froskelår prospect in the adjacent PL896 is being considered for the end of 2018.

In April 2018, drilling commenced on the Lille Prinsen prospect in PL167 in the North Sea, located northeast of the Ivar Aasen field, targeting Triassic and Jurassic sands mapped to pinch-out against a basement high.

Licence awards and transactions

In January 2018, Lundin Petroleum was awarded a total of 14 licences in the 2017 APA licensing round, of which six are as operator.

Lundin Petroleum has applied for licences in the 24th licensing round and awards are anticipated to be announced in mid-2018.

Lundin Petroleum acquired a 10 percent working interest in each of PL539 and PL860 and a 30 percent working interest in each of PL820S and PL825 from Fortis Petroleum and also acquired a 20 percent working interest in PL860 from Statoil, increasing Lundin Petroleum's working interest in PL860 to 40 percent and in PL539 to 20 percent.

Russia

In 2016, Lundin Petroleum wrote down the entire contingent resources and book value for the Morskaya oil discovery and management is reviewing options for the asset. In 2017, an appraisal plan was agreed with the Russian licensing authority, Rosnedra, in order to maintain the licence in good standing while options for the asset are being reviewed. The appraisal plan requires no significant activities for several years.

Health, Safety and Environment

During the reporting period, one medical treatment incident occurred, resulting in a Lost Time Incident Rate of 0.0 per million hours worked and a Total Recordable Incident Rate of 2.1 per million hours worked. There were no material environmental incidents.

FINANCIAL REVIEW

Result

The operating profit from continuing operations for the reporting period amounted to MUSD 337.6 (MUSD 219.8). The operating profit for the reporting period was driven by the higher oil prices compared to the comparative period.

The net result from continuing operations for the reporting period amounted to MUSD 228.8 (MUSD 59.2). The net result in the reporting period was mainly driven by the good production performance in combination with higher oil prices and a net foreign exchange gain as a result of the weakening US Dollar against the Norwegian Krone and the Euro.

The net result from continuing operations attributable to shareholders of the Parent Company for the reporting period amounted to MUSD 228.8 (MUSD 60.5) representing earnings per share of USD 0.68 (USD 0.18).

Earnings before interest, tax, depletion and amortisation (EBITDA) from continuing operations for the reporting period amounted to MUSD 456.5 (MUSD 355.8) representing EBITDA per share of USD 1.35 (USD 1.05). Operating cash flow for the reporting period amounted to MUSD 461.8 (MUSD 365.9) representing operating cash flow per share of USD 1.36 (USD 1.07).

Changes in the Group

On 24 April 2017, Lundin Petroleum completed the spin-off of its assets in Malaysia, France and the Netherlands (the IPC assets) into International Petroleum Corporation (IPC) by distributing the IPC shares, on a pro-rata basis, to Lundin Petroleum shareholders. The results of the IPC business are included in the Lundin Petroleum financial statements until the completion of the spin-off and are shown as discontinued operations in the comparative periods.

Revenue and other income

Revenue and other income for the reporting period amounted to MUSD 692.9 (MUSD 421.5) and was comprised of net sales of oil and gas, change in under/over lift position and other revenue as detailed in Note 1.

Net sales of oil and gas for the reporting period amounted to MUSD 694.2 (MUSD 381.2). The average price achieved by Lundin Petroleum for a barrel of oil equivalent from own production amounted to USD 64.53 (USD 51.14) and is detailed in the following table. The average Dated Brent price for the reporting period amounted to USD 66.82 (USD 53.69) per barrel.

Net sales of oil and gas from own production for the reporting period are detailed in Note 3 and were comprised as follows:

Sales from own production Average price per boe expressed in USD	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Crude oil sales			
– Quantity in Mboe	6,958.1	6,266.8	28,106.9
– *Average price per boe*	*66.23*	*52.63*	*53.37*
Gas and NGL sales			
– Quantity in Mboe	782.9	813.6	3,943.1
– *Average price per boe*	*51.01*	*39.62*	*39.23*
Total sales			
– Quantity in Mboe	**7,741.0**	7,080.4	32,050.0
– Average price per boe	***64.53***	*51.14*	*51.63*

The table above excludes crude oil revenue from third party activities.

Net sales of crude oil from third party activities for the reporting period amounted to MUSD 193.4 (MUSD 19.1) and consisted of crude oil purchased from outside the Group by Lundin Petroleum Marketing SA and sold to the market.

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. 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 cost of MUSD 9.5 (income of MUSD 35.6) in the reporting period due to the timing of the cargo liftings compared to production.

Other income for the reporting period amounted to MUSD 8.2 (MUSD 4.7) and included a quality differential compensation on Alvheim blended crude and tariff income of MUSD 7.6 (MUSD 4.2) which is due to net income from Ivar Aasen tariffs paid to Edvard Grieg.

Production costs

Production costs including inventory movements for the reporting period amounted to MUSD 38.6 (MUSD 36.1) and are detailed in Note 2. The total production cost per barrel of oil equivalent produced is detailed in the table below:

Production costs	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Cost of operations			
– In MUSD	27.3	26.4	117.3
– In USD per boe	*3.65*	*3.56*	*3.73*
Tariff and transportation expenses			
– In MUSD	8.9	7.7	37.9
– In USD per boe	*1.18*	*1.03*	*1.21*
Operating costs			
– In MUSD	**36.2**	34.1	155.2
– In USD per boe[1]	***4.83***	*4.59*	*4.94*
Change in inventory position			
– In MUSD	0.6	-0.6	-0.4
– In USD per boe	*0.08*	*-0.08*	*-0.02*
Other			
– In MUSD	1.8	2.6	9.4
– In USD per boe	*0.24*	*0.35*	*0.30*
Production costs			
– In MUSD	**38.6**	36.1	**164.2**
– In USD per boe	***5.15***	*4.86*	*5.22*

Note: USD per boe is calculated by dividing the cost by total production volume for the period.
[1] The numbers in this table are excluding tariff income netting. Lundin Petroleum's operating cost for the reporting period of USD 4.83 (USD 4.59) per barrel is reduced to USD 3.82 (USD 4.04) when tariff income is netted off.

The total cost of operations for the reporting period amounted to MUSD 27.3 (MUSD 26.4). The total cost of operations excluding operational projects amounted to MUSD 24.9 (MUSD 24.9).

The cost of operations per barrel for the reporting period amounted to USD 3.65 (USD 3.56) including operational projects and USD 3.33 (USD 3.36) excluding operational projects.

Tariff and transportation expenses for the reporting period amounted to MUSD 8.9 (MUSD 7.7) or USD 1.18 (USD 1.03) per barrel. The main reason for the increase per barrel is due to the increased production from the Volund field.

Other costs for the reporting period amounted to MUSD 1.8 (MUSD 2.6) and related to the business interruption insurance and the operating cost share arrangement on the Brynhild field whereby the amount of operating cost varied with the oil price until the end of May 2017. This arrangement was being marked-to-market against the oil price curve.

Depletion and decommissioning costs

Depletion and decommissioning costs for the reporting period amounted to MUSD 118.5 (MUSD 131.1) at an average rate of USD 15.84 (USD 17.64) per barrel and are detailed in Note 3. The lower depletion costs for the reporting period compared to the comparative period is due to the lower depletion rate per barrel associated with the Edvard Grieg field as a result of the increased reserves per end 2017.

Exploration costs

Exploration costs expensed in the income statement for the reporting period amounted to MUSD -0.3 (MUSD 4.2) and are detailed in Note 3. Exploration and appraisal costs are capitalised as they are incurred. When exploration drilling is unsuccessful, the capitalised costs are expensed. All capitalised exploration costs are reviewed on a regular basis and are expensed where their recoverability is considered highly uncertain.

Other costs of sales

Other costs of sales for the reporting period amounted to MUSD 192.2 (MUSD 19.3) and related to oil purchased from outside the Group by Lundin Petroleum Marketing SA.

General, administrative and depreciation expenses

The general administrative and depreciation expenses for the reporting period amounted to MUSD 6.3 (MUSD 11.0) which included a charge of MUSD 1.0 (MUSD 1.1) in relation to the Group's long-term incentive plans (LTIP), see also Remuneration section below. Fixed asset depreciation expenses for the reporting period amounted to MUSD 0.7 (MUSD 0.6).

Finance income

Finance income for the reporting period amounted to MUSD 162.4 (MUSD 20.6) and is detailed in Note 4.

The net foreign currency exchange gain for the reporting period amounted to MUSD 162.1 (MUSD 20.4). Foreign exchange movements occur on the settlement of transactions denominated in foreign currencies and the revaluation of working capital and loan balances to the prevailing exchange rate at the balance sheet date where those monetary assets and liabilities are held in currencies other than the functional currencies of the Group's reporting entities. Lundin Petroleum has hedged certain foreign currency operational expenditure amounts against the US Dollar and for the reporting period, the net realised exchange gain on settled foreign exchange hedges amounted to MUSD 5.4 (MUSD 6.0 loss).

The US Dollar weakened against the Euro during the reporting period resulting in a net foreign currency exchange gain on the US Dollar denominated external loan, which is borrowed by a subsidiary using Euro as functional currency. In addition, the Norwegian Krone strengthened against the Euro in the reporting period, generating a net foreign currency exchange gain on an intercompany loan balance denominated in Norwegian Krone.

Finance costs

Finance costs for the reporting period amounted to MUSD 39.0 (MUSD 45.3) and are detailed in Note 5.

Interest expenses for the reporting period amounted to MUSD 24.5 (MUSD 28.6) and represented the portion of interest charged to the income statement. An additional amount of interest of MUSD 21.6 (MUSD 12.2) associated with the funding of the Norwegian development projects was capitalised in the reporting period. The total interest expense has increased compared to the comparative period mainly due to higher interest rates. The result on interest rate hedge settlements amounted to a loss of MUSD 2.0 (MUSD 6.0).

The amortisation of the deferred financing fees for the reporting period amounted to MUSD 4.6 (MUSD 4.3) and related to the expensing of the fees incurred in establishing the financing facilities over the period of usage of the facilities.

Loan facility commitment fees for the reporting period amounted to MUSD 3.5 (MUSD 2.8) with the increase compared to the same period last year being the result of the lower drawn debt under the loan facility compared to last year.

Share in result of associate company

Share in result of associated company for the reporting period amounted to MUSD -0.0 (MUSD —) and related to the share in the result of the investment in Mintley Caspian Ltd.

Tax

The overall tax charge for the reporting period amounted to MUSD 232.2 (MUSD 135.9) and is detailed in Note 6.

The deferred tax charge for the reporting period amounted to MUSD 231.9 (MUSD 135.6) which related to Norway. The deferred tax amount arises primarily where there is a difference in depletion for tax and accounting purposes.

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 12.5 and 78 percent. The effective tax rate for the reporting period is affected by items which do not receive a full tax credit such as the reported net foreign currency exchange gain, Norwegian financial items and by the uplift allowance applicable in Norway for development expenditures against the offshore tax regime.

Non-controlling interest

The net result attributable to non-controlling interest for the reporting period amounted to MUSD — (MUSD -1.3) and related in the comparative period to the non-controlling interest's share in Mintley Caspian Ltd., which is the holding company of Lundin Petroleum´s investment in Russia, which was fully consolidated up to the end of the third quarter 2017. The investment in Mintley Caspian Ltd. was deconsolidated at the end of the third quarter 2017 and the results are now reported as share in result of associated company.

Balance Sheet

Non-current assets

Oil and gas properties amounted to MUSD 5,315.3 (MUSD 4,937.1) and are detailed in Note 7.

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

Development expenditure in MUSD	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Norway	171.0	257.0	950.0
Development expenditures	**171.0**	257.0	950.0

An amount of MUSD 171.0 (MUSD 257.0) of development expenditure was incurred in Norway during the reporting period, primarily on the Johan Sverdrup and Edvard Grieg fields. In addition an amount of MUSD 21.6 of interest was capitalised.

Exploration and appraisal expenditure in MUSD	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Norway	54.1	54.1	227.1
Russia	—	0.4	1.1
Exploration and appraisal expenditure	**54.1**	54.5	228.2

Exploration and appraisal expenditure of MUSD 54.1 (MUSD 54.1) was incurred in Norway during the reporting period, primarily on the Luno II appraisal well in PL359, the Frosk exploration well in PL340 and investment related to Rolvsnes in PL338C, Alta in PL609 and Phase 2 of the Johan Sverdrup project.

Goodwill associated with the accounting for the Edvard Grieg transaction during 2016 amounted to MUSD 128.1 (MUSD 128.1).

Financial assets amounted to MUSD 7.0 (MUSD 6.7) and are detailed in Note 8. Other shares and participations amounted to MUSD 6.6 (MUSD 6.3) and related to the shares held in ShaMaran which are reported at market value.

Derivative instruments amounted to MUSD 57.7 (MUSD 26.5) and related to the marked-to-market gain on the outstanding interest rate and currency hedge contracts due to be settled after twelve months.

Current assets

Inventories amounted to MUSD 34.1 (MUSD 33.7) and included both well supplies and hydrocarbon inventories.

Trade and other receivables amounted to MUSD 289.6 (MUSD 304.4) and are detailed in Note 9. Trade receivables, which are all current, amounted to MUSD 192.3 (MUSD 202.7) and included invoiced cargoes. Underlift amounted to MUSD 23.1 (MUSD 29.4) and was attributable to an underlift position on the producing fields, mainly from the Alvheim area. Joint operations debtors relating to various joint venture receivables amounted to MUSD 12.8 (MUSD 15.6). Prepaid expenses and accrued income amounted to MUSD 31.1 (MUSD 29.3) and represented mainly prepaid operational and insurance expenditure. Other current assets amounted to MUSD 30.3 (MUSD 27.4) and included a short term receivable from IPC in relation to certain working capital balances following the IPC spin-off, VAT receivables and other miscellaneous receivable balances.

Derivative instruments amounted to MUSD 37.3 (MUSD 7.7) and related to the marked-to-market gain on the outstanding interest rate and currency hedge contracts due to be settled within twelve months.

Cash and cash equivalents amounted to MUSD 100.6 (MUSD 71.4). Cash balances are held to meet ongoing operational funding requirements.

Non-current liabilities

Financial liabilities amounted to MUSD 3,751.3 (MUSD 3,880.0) and are detailed in Note 10. Bank loans amounted to MUSD 3,825.0 (MUSD 3,955.0) and related to the outstanding loan under the Group's reserve-based lending facility. Capitalised financing fees relating to the establishment costs of the Group's financing facility amounted to MUSD 73.7 (MUSD 75.0) and are being amortised over the expected life of the facility.

Provisions amounted to MUSD 467.9 (MUSD 420.6) and are detailed in Note 11. The provision for site restoration amounted to MUSD 460.6 (MUSD 414.6) and related to future decommissioning obligations. The increase mainly reflects the additional liability for Edvard Grieg and for the Johan Sverdrup development project.

Deferred tax liabilities amounted to MUSD 1,591.8 (MUSD 1,302.2). 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.

Derivative instruments amounted to MUSD — (MUSD 3.1) and related to the marked-to-market loss on outstanding interest rate and currency hedge contracts due to be settled after twelve months.

Current liabilities

Trade and other payables amounted to MUSD 237.5 (MUSD 259.0) and are detailed in Note 12. Overlift amounted to MUSD 15.2 (MUSD 12.8) and was attributable to an overlift position on the producing fields, mainly from Edvard Grieg and Brynhild. Joint operations creditors and accrued expenses amounted to MUSD 183.7 (MUSD 188.9) and related to activity in Norway. Other accrued expenses amounted to MUSD 16.5 (MUSD 19.5) and other current liabilities amounted to MUSD 4.3 (MUSD 7.7).

Derivative instruments amounted to MUSD 4.2 (MUSD 6.4) and related to the marked-to-market loss on outstanding interest rate and currency hedge contracts due to be settled within twelve months.

Current provisions amounted to MUSD 8.9 (MUSD 7.7) and related to the current portion of the provision for Lundin Petroleum's Unit Bonus Plan.

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 for the reporting period amounted to MSEK -15.4 (MSEK -29.8).

The result included general and administrative expenses of MSEK 27.2 (MSEK 30.6) and net finance income of MSEK 4.5 (MSEK -0.2).

Pledged assets of MSEK 55,118.9 (MSEK 55,118.9) relate to the carrying value of the pledge of the shares in respect of the financing facility entered into by its wholly-owned subsidiary Lundin Petroleum Holding BV, see also the Liquidity section below.

Related Party Transactions

During the reporting period, the Group has entered into transactions with related parties on a commercial basis and the material transactions are described below.

The Group has purchased oil from the Statoil group on an arm's-length basis amounting to MUSD 112.2.

The Group has sold oil and related products to the Statoil group on an arm's-length basis amounting to MUSD 340.2.

As at the date of the IPC spin-off, the Group had a residual receivable for working capital from IPC of MUSD 27.4 which has been reduced to MUSD 23.5. This receivable is due during 2018.

Liquidity

In February 2016, Lundin Petroleum entered into a committed seven year senior secured reserve-based lending facility of USD 5.0 billion. The financing facility is a reserve-based lending facility secured against certain cash flows generated by the Group. The amount available under the facility is recalculated every six months based upon the calculated cash flow generated by certain producing fields and fields under development at an oil price and economic assumptions agreed with the banking syndicate providing the facility. 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.

Subsequent Events

There are no subsequent events to report.

Share Data

Lundin Petroleum AB's issued share capital amounted to SEK 3,478,713 represented by 340,386,445 shares with a quota value of SEK 0.01 each (rounded off).

During 2017, Lundin Petroleum purchased 1,233,310 of its own shares at an average price of SEK 186.14 based on the approval granted at the AGM 2017. During the reporting period Lundin Petroleum purchased an additional 640,000 of its own shares at an average price of SEK 186.77 based on the approval granted at the AGM 2017 resulting in 1,873,310 of its own shares held at the end of the reporting period.

The Board of directors has recommended to the AGM of Lundin Petroleum to be held on 3 May 2018 in Stockholm that an inaugural cash dividend distribution for the year 2017 of SEK 4.00 per share be made, based on the current number of shares, excluding own shares held by the Company. This represents an amount equal to SEK 1,354 million, or approximately USD 162 million based on the exchange rate per the end of the reporting period, to be paid after the 2018 AGM.

Remuneration

Lundin Petroleum's principles for remuneration and details of the long-term incentive plans are provided in the Company's 2017 Annual Report and in the materials provided to shareholders in respect of the 2018 AGM, available on www.lundin-petroleum.com

Unit Bonus Plan

The number of units relating to the awards made in 2015, 2016 and 2017 under the Unit Bonus Plan outstanding as at 31 March 2018 were 135,902, 224,043 and 288,216 respectively.

Performance Based Incentive Plan

The AGM 2017 resolved a long-term performance based incentive plan in respect of Group management and a number of key employees. The plan is effective from 1 July 2017 and the 2017 award is accounted for from the second half of 2017. The total outstanding number of awards at 31 March 2018 was 355,954 and the awards vest over three years from 1 July 2017 subject to certain performance conditions being met. Each original award was fair valued at the date of grant at SEK 100.10 using an option pricing model.

The 2016 plan is effective from 1 July 2016 and the total outstanding number of awards at 31 March 2018 was 406,902 and the awards vest over three years from 1 July 2016 subject to certain performance conditions being met. The outstanding number of awards increased compared to the original number of awards as a result of the dividend distribution of the IPC business as per the plan rules. Each original award was fair valued at the date of grant at SEK 89.30 using an option pricing model. Awards given to employees now employed by IPC following the IPC spin-off have been pro-rated until the spin-off date 24 April 2017.

The 2015 plan is effective from 1 July 2015 and the total outstanding number of awards at 31 March 2018 was 646,503 and the awards vest over three years from 1 July 2015 subject to certain performance conditions being met. The outstanding number of awards increased compared to the original number of awards as a result of the dividend distribution of the IPC business as per the plan rules. Each original award was fair valued at the date of grant at SEK 91.40 using an option pricing model. Awards given to employees now employed by IPC following the IPC spin-off have been pro-rated until the spin-off date 24 April 2017.

Accounting Policies

This interim report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and the Swedish Annual Accounts Act (SFS 1995:1554).

IFRS 9 has come into effect with effective date 1 January 2018. IFRS 9 Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities, introduced new rules for hedge accounting and a new impairment model for financial assets. Based on this standard, the investment in ShaMaran Petroleum Corp. (ShaMaran) is booked at fair value of the shares with movements in the fair value of the shares being directly recognized in the consolidated income statement. The Group applies the new rules retrospectively from 1 January 2018 and the comparatives are not restated.

IFRS 15 has come into effect with effective date 1 January 2018. IFRS 15 Revenue from contract with customers, addresses revenue recognition and established principles for reporting useful information to users of financial statements. Based on this standard, certain transactions are no longer reported as revenue but as other revenue instead. The Group applies the new rules using the full retrospective approach and the comparatives have been restated.

The accounting policies adopted are in all other aspects consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

The financial reporting of the Parent Company has been prepared in accordance with accounting principles generally accepted in Sweden, applying RFR 2 Reporting for legal entities, issued by the Swedish Financial Reporting Board and the Annual Accounts Act (SFS 1995:1554).

Under Swedish company regulations it is not allowed to report the Parent Company results in any other currency than Swedish Krona or Euro and consequently the Parent Company's financial information is reported in Swedish Krona and not the Group's reporting currency of US Dollar.

Risks and Risk Management

The objective of Business 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 Group 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.

A detailed analysis of Lundin Petroleum's strategic, operational, financial and external risks and mitigation of those risks through risk management is described in Lundin Petroleum's 2017 Annual Report.

Derivative financial instruments
Lundin Petroleum has entered into forward currency hedges to meet part of its future NOK capital requirements relating to the Johan Sverdrup field development. At 31 March 2018, Lundin Petroleum had outstanding currency hedges as summarised below:

Buy	Sell	Average contractual Exchange rate	Settlement period
MNOK 2,618.1	MUSD 318.0	NOK 8.23:USD 1	Apr 2018 – Dec 2018
MNOK 1,672.4	MUSD 200.4	NOK 8.35:USD 1	Jan 2019 – Dec 2019
MNOK 1,000.0	MUSD 130.0	NOK 7.69:USD 1	Jan 2020 – Dec 2020
MNOK 750.0	MUSD 98.3	NOK 7.63:USD 1	Jan 2021 – Dec 2021
MNOK 500.0	MUSD 65.6	NOK 7.62:USD 1	Jan 2022 – Dec 2022

Lundin Petroleum entered into interest rate hedge contracts and at 31 March 2018 had outstanding interest rate hedge contracts as follows:

Borrowings expressed in MUSD	Fixing of floating LIBOR average rate per annum	Settlement period
3,000	1.87%	Apr 2018 – Dec 2018
3,000	1.42%	Jan 2019 – Dec 2019
1,750	2.01%	Jan 2020 – Dec 2020
1,000	2.17%	Jan 2021 – Dec 2021
1,000	2.37%	Jan 2022 – Dec 2022

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.

Exchange Rates
For the preparation of the financial statements for the reporting period, the following currency exchange rates have been used.

	31 Mar 2018		31 Mar 2017		31 Dec 2017	
	Average	Period end	Average	Period end	Average	Period end
1 USD equals NOK	7.8358	7.7773	8.4380	8.5757	8.2712	8.2050
1 USD equals Euro	0.8134	0.8116	0.9392	0.9354	0.8855	0.8338
1 USD equals SEK	8.1117	8.3470	8.9272	8.9161	8.5481	8.2080

Consolidated Income Statement

Expressed in MUSD	Note	1 Jan 2018-31 Mar 2018 3 months	1 Jan 2017-31 Mar 2017 3 months	1 Jan 2017-31 Dec 2017 12 months
Revenue and other income	1			
Revenue		694.2	381.2	1,958.3
Other income		-1.3	40.3	38.7
		692.9	421.5	1,997.0
Cost of sales				
Production costs	2	-38.6	-36.1	-164.2
Depletion and decommissioning costs		-118.5	-131.1	-567.3
Exploration costs		0.3	-4.2	-73.1
Impairment costs of oil and gas properties		–	–	-30.6
Loss from sale of assets		–	–	-14.4
Other cost of sales		-192.2	-19.3	-303.3
Gross profit/loss	3	**343.9**	230.8	844.1
General, administration and depreciation expenses		-6.3	-11.0	-31.7
Operating profit/loss		**337.6**	219.8	812.4
Net financial items				
Finance income	4	162.4	20.6	256.7
Finance costs	5	-39.0	-45.3	-186.6
		123.4	-24.7	70.1
Share in result of associated company		-0.0	–	-0.4
Profit/loss before tax		**461.0**	195.1	882.1
Income tax	6	-232.2	-135.9	-501.2
Net result from continuing operations		**228.8**	59.2	380.9
Discontinued operations				
Net result - IPC		–	4.0	46.5
Net result		**228.8**	63.2	427.4
Attributable to:				
Shareholders of the Parent Company		228.8	64.5	431.2
Non-controlling interest		–	-1.3	-3.8
		228.8	63.2	427.4
Earnings per share – USD[1]				
From continuing operations		0.68	0.18	1.13
From discontinued operations		–	0.01	0.14
Earnings per share fully diluted – USD[1]				
From continuing operations		0.67	0.18	1.13
From discontinued operations		–	0.01	0.14

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

Consolidated Statement of Comprehensive Income

Expressed in MUSD	**1 Jan 2018-31 Mar 2018 3 months**	1 Jan 2017-31 Mar 2017 3 months	1 Jan 2017-31 Dec 2017 12 months
Net result	**228.8**	63.2	427.4
Items that may be subsequently reclassified to profit or loss:			
Exchange differences foreign operations	-8.9	1.9	-96.2
Cash flow hedges	65.4	18.7	76.4
Available-for-sale financial assets	—	-0.8	4.9
Other comprehensive income, net of tax	**56.5**	19.8	-14.9
Total comprehensive income	**285.3**	83.0	412.5
Attributable to:			
Shareholders of the Parent Company	285.3	84.2	416.3
Non-controlling interest	—	-1.2	-3.8
	285.3	83.0	412.5

Consolidated Balance Sheet

Expressed in MUSD	Note	31 March 2018	31 December 2017
ASSETS			
Non-current assets			
Oil and gas properties	7	5,315.3	4,937.1
Other tangible fixed assets		13.6	13.2
Goodwill		128.1	128.1
Financial assets	8	7.0	6.7
Derivative instruments	13	57.7	26.5
Total non-current assets		**5,521.7**	5,111.6
Current assets			
Inventories		34.1	33.7
Trade and other receivables	9	289.6	304.4
Derivative instruments	13	37.3	7.7
Cash and cash equivalents		100.6	71.4
Total current assets		**461.6**	417.2
TOTAL ASSETS		**5,983.3**	5,528.8
EQUITY AND LIABILITIES			
Equity			
Shareholders´ equity		**-78.9**	-350.8
Liabilities			
Non-current liabilities			
Financial liabilities	10	3,751.3	3,880,0
Provisions	11	467.9	420.6
Deferred tax liabilities		1,591.8	1,302.2
Derivative instruments	13	–	3.1
Total non-current liabilities		**5,811.0**	5,605.9
Current liabilities			
Trade and other payables	12	237.5	259.0
Derivative instruments	13	4.2	6.4
Current tax liabilities		0.6	0.6
Provisions	11	8.9	7.7
Total current liabilities		**251.2**	273.7
Total liabilities		**6.062,2**	5.879.6
TOTAL EQUITY AND LIABILITIES		**5,983.3**	5,528.8

Consolidated Balance of Cash Flows

Expressed in MUSD	1 Jan 2018- 31 Mar 2018 3 months	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Cash flows from operating activities			
Net result	228.8	59.2	380.9
Adjustments for:			
Exploration costs	-0.3	4.2	73.1
Depletion, depreciation and amortisation	119.2	131.7	570.9
Impairment of oil and gas properties	–	–	30.6
Current tax	0.3	0.3	-0.5
Deferred tax	231.9	135.6	501.7
Impairment of other shares	–	–	11.2
Long-term incentive plans	3.7	3.3	12.7
Foreign currency exchange gain	-156.7	-22.8	-258.0
Interest expense	24.5	28.6	115.0
Capitalised financing fees	4.6	4.3	17.5
Other	3.6	2.7	26.4
Interest received	0.2	0.1	1.0
Interest paid	-46.0	-40.6	-177.3
Income taxes paid / received	-0.3	–	82.2
Changes in working capital	-10.9	34.1	-88.1
Total cash flows from operating activities	**402.6**	340.7	1,299.3
Cash flows from investing activities			
Investment in oil and gas properties	-229.9	-311.5	-1,178.2
Investment in other fixed assets	-0.9	-0.6	-1.6
Investment in other shares and participations	–	-1.3	-1.3
Decommissioning costs paid	–	0.2	-0.4
Disposal of fixed assets [1]	–	–	93.7
Other payments	–	–	-7.8
Total cash flows from investing activities	**-230.8**	-313.2	-1,095.6
Cash flows from financing activities			
Changes in long-term liabilities	-130.0	-59.5	-188.7
Cash funded from / to discontinued operations	–	31.7	31.7
Purchase of own shares	-14.3	–	-28.0
Total cash flows from financing activities	**-144.3**	-27.8	-185.0
Change in cash and cash equivalents	27.5	-0.3	18.7
Cash and cash equivalents at the beginning of the period	71.4	56.1	56.1
Currency exchange difference in cash and cash equivalents	1.7	0.5	-3.2
Cash and cash equivalent of deconsolidated operations	–	–	-0.2
Cash and cash equivalents at the end of the period	**100.6**	56.3	71.4

[1] Cash received on the divestment of a 39 percent working interest in the Brynhild field on closing including settlement of net working capital.

Consolidated Statement of Changes in Equity

Expressed in MUSD	Share capital	Additional paid-in-capital/Other reserves	Retained earnings	Dividends	Total	Non-controlling interest	Total equity
	Attributable to owners of the Parent Company						
At 1 January 2017	**0.5**	**548.3**	**-787.4**	**–**	**-238.6**	**-113.6**	**-352.2**
Comprehensive income							
Net result	–	–	64.5	–	64.5	-1.3	63.2
Other comprehensive income	–	19.7	–	–	19.7	0.1	19.8
Total comprehensive income	**–**	**19.7**	**64.5**	**–**	**84.2**	**-1.2**	**83.0**
Transactions with owners							
Distributions	–	–	–	-410.0	-410.0	–	-410.0
Value of employee services	–	–	1.0	–	1.0	–	1.0
Total transactions with owners	**–**	**–**	**1.0**	**-410.0**	**-409.0**	**–**	**-409.0**
At 31 March 2017	**0.5**	**568.0**	**-721.9**	**-410.0**	**-563.4**	**-114.8**	**-678.2**
Comprehensive income							
Net result	–	–	366.7	–	366.7	-2.5	364.2
Other comprehensive income	–	-34.6	–	–	-34.6	-0.1	-34.7
Total comprehensive income	**–**	**-34.6**	**366.7**	**–**	**332.1**	**-2.6**	**329.5**
Transactions with owners							
Change in consolidation	–	–	-82.0	–	-82.0	117.1	35.1
Purchase of own shares	–	-28.0	–	–	-28.0	–	-28.0
Spin off IPC	–	–	–	–	–	0.3	0.3
Share based payments	–	-13.2	–	–	-13.2	–	-13.2
Value of employee services	–	–	3.7	–	3.7	–	3.7
Total transaction with owners	**–**	**-41.2**	**-78.3**	**–**	**-119.5**	**117.4**	**-2.1**
At 31 December 2017	**0.5**	**492.2**	**-433.5**	**-410.0**	**-350.8**	**–**	**-350.8**
Transfer of prior year dividends	–	-410.0	–	410.0	–	–	–
Comprehensive income							
Net result	–	–	228.8	–	228.8	–	228.8
Other comprehensive income	–	56.5	–	–	56.5	–	56.5
Total comprehensive income	**–**	**56.5**	**228.8**	**–**	**285.3**	**–**	**285.3**
Transactions with owners							
Purchase of own shares	–	-14.3	–	–	-14.3	–	-14.3
Value of employee services	–	–	0.9	–	0.9	–	0.9
Total transaction with owners	**–**	**-14.3**	**0.9**	**–**	**-13.4**	**–**	**-13.4**
At 31 March 2018	**0.5**	**124.4**	**-203.8**	**–**	**-78.9**	**–**	**-78.9**

Notes to the Consolidated Financial Statements

Note 1 – Revenue and other income MUSD	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Revenue			
Crude oil from own production	460.8	329.9	1,500.2
Crude oil from third party activities	193.4	19.1	303.5
Condensate	3.8	6.4	43.0
Gas	36.2	25.8	111.6
Net sales of oil and gas	**694.2**	381.2	1,958.3
Other income			
Change in under/over lift position	-9.5	35.6	13.8
Other	8.2	4.7	24.9
Other income	-1.3	40.3	38.7
Revenue and other income	**692.9**	421.5	1,997.0

Note 2 – Production costs MUSD	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Cost of operations	27.3	26.4	117.3
Tariff and transportation expenses	8.9	7.7	37.9
Change in inventory position	0.6	-0.6	-0.4
Other	1.8	2.6	9.4
Production costs	**38.6**	36.1	164.2

Note 3 – Segment information MUSD	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Norway			
Crude oil from own production	460.8	329.9	1,500.2
Condensate	3.8	6.4	43.0
Gas	36.2	25.8	111.6
Revenue	**500.8**	362.1	1,654.8
Change in under/over lift position	-9.5	35.6	13.8
Other income	8.2	4.3	24.4
Revenue and other income	**499.5**	402.0	1,693.0
Production costs	-38.6	-36.1	-164.2
Depletion and decommissioning costs	-118.5	-131.1	-567.3
Exploration costs	0.3	-3.8	-72.0
Impairment costs of oil and gas properties	–	–	-30.6
Loss from sale of assets	–	–	-14.4
Gross profit/loss	**342.7**	231.0	844.5

Note 3 – Segment information cont. MUSD	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Other			
Crude oil from third party activities	193.4	19.1	303.5
Revenue	**193.4**	19.1	303.5
Other income	—	0.4	0.5
Revenue and other income	**193.4**	19.5	304.0
Exploration costs	—	-0.4	-1.1
Other cost of sales	-192.2	-19.3	-303.3
Gross profit/loss	**1.2**	-0.2	-0.4
Total			
Crude oil from own production	460.8	329.9	1,500.2
Crude oil from third party activities	193.4	19.1	303.5
Condensate	3.8	6.4	43.0
Gas	36.2	25.8	111.6
Revenue	**694.2**	381.2	1,958.3
Change in under/over lift position	-9.5	35.6	13.8
Other income	8.2	4.7	24.9
Revenue and other income	**692.9**	421.5	1,997.0
Production costs	-38.6	-36.1	-164.2
Depletion and decommissioning costs	-118.5	-131.1	-567.3
Exploration costs	0.3	-4.2	-73.1
Impairment costs of oil and gas properties	—	—	-30.6
Loss from sale of assets	—	—	-14.4
Other cost of sales	-192.2	-19.3	-303.3
Gross profit/loss	**343.9**	230.8	844.1

Within each segment, revenues from transactions with a single external customer amount to ten percent or more of revenue for that segment.

Note 4 – Finance income MUSD	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Foreign currency exchange gain, net	162.1	20.4	255.3
Interest income	0.2	0.1	1.0
Other	0.1	0.1	0.4
Total finance income	**162.4**	20.6	256.7

Note 5 – Finance costs MUSD	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Interest expense	24.5	28.6	115.0
Result on interest rate hedge settlement	2.0	6.0	17.4
Unwinding of site restoration discount	3.9	2.8	13.7
Amortisation of deferred financing fees	4.6	4.3	17.5
Loan facility commitment fees	3.5	2.8	11.1
Impairment of other shares	—	—	11.2
Other	0.5	0.8	0.7
Finance costs	**39.0**	45.3	186.6

Note 6 – Income tax MUSD	**1 Jan 2018-** **31 Mar 2018** **3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Current tax	0.3	0.3	-0.5
Deferred tax	231.9	135.6	501.7
Total income tax	**232.2**	135.9	501.2

Note 7 – Oil and gas properties MUSD	**31 Mar 2018**	31 Dec 2017
Norway		
Producing assets	2,196.6	2,169.7
Assets under development	2,423.7	2,162.4
Capitalised exploration and appraisal expenditure	695.0	605.0
	5,315.3	4,937.1

Note 8 – Financial assets MUSD	**31 Mar 2018**	31 Dec 2017
Other shares and participations	6.6	6.3
Other	0.4	0.4
	7.0	6.7

Note 9 – Trade and other receivables MUSD	**31 Mar 2018**	31 Dec 2017
Trade receivables	192.3	202.7
Underlift	23.1	29.4
Joint operations debtors	12.8	15.6
Prepaid expenses and accrued income	31.1	29.3
Other	30.3	27.4
	289.6	304.4

Note 10 – Financial liabilities MUSD	**31 Mar 2018**	31 Dec 2017
Non-current:		
Bank loans	3,825.0	3,955.0
Capitalised financing fees	-73.7	-75.0
	3,751.3	3,880.0

Note 11 – Provisions MUSD	**31 Mar 2018**	31 Dec 2017
Non-current:		
Site restoration	460.6	414.6
Long-term incentive plans	3.9	2.8
Other	3.4	3.2
	467.9	420.6
Current:		
Long-term incentive plans	8.9	7.7
	8.9	7.7
	476.8	428.3

Note 12 – Trade and other payables

MUSD	**31 Mar 2018**	31 Dec 2017
Trade payables	17.8	30.1
Overlift	15.2	12.8
Joint operations creditors and accrued expenses	183.7	188.9
Other accrued expenses	16.5	19.5
Other	4.3	7.7
	237.5	259.0

Note 13 – Financial instruments

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

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

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

31 March 2018

MUSD	Level 1	Level 2	Level 3
Assets			
Other shares and participations	6.6	–	–
Derivative instruments – non-current	–	57.7	–
Derivative instruments – current	–	37.3	–
	6.6	**95.0**	**–**
Liabilities			
Derivative instruments – non-current	–	–	–
Derivative instruments – current	–	4.2	–
	–	**4.2**	**–**

31 December 2017

MUSD	Level 1	Level 2	Level 3
Assets			
Other shares and participations	6.3	–	–
Derivative instruments – non-current	–	26.5	–
Derivative instruments – current	–	7.7	–
	6.3	34.2	–
Liabilities			
Derivative instruments – non-current	–	3.1	–
Derivative instruments – current	–	6.4	–
	–	9.5	–

There were no transfers between the levels during the reporting period.

The fair value of the financial assets is estimated to equal the carrying value. The fair value, of the Derivative instruments, is calculated using the forward interest rate curve and the forward exchange rate curve respectively for the interest rate swap and the currency hedging contracts. The hedge counterparties are all banks which are party to the loan facility agreement.

Parent Company Income Statement

Expressed in MSEK	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Revenue	7.3	1.0	9.4
General and administration expenses	-27.2	-30.6	-146.7
Operating profit/loss	**-19.9**	-29.6	-137.3
Net financial items			
Finance income	4.7	0.3	46,786.4
Finance costs	-0.2	-0.5	-0.5
	4.5	-0.2	46,785.9
Profit/loss before tax	**-15.4**	-29.8	46,648.6
Income tax	–	–	–
Net result	**-15.4**	-29.8	46,648.6

Parent Company Comprehensive Income Statement

Expressed in MSEK	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Net result	**-15.4**	-29.8	46,648.6
Other comprehensive income	–	–	–
Total comprehensive income	**-15.4**	-29.8	46,648.6
Attributable to:			
Shareholders of the Parent Company	-15.4	-29.8	46,648.6
	-15.4	-29.8	46,648.6

Parent Company Balance Sheet

Expressed in MSEK	31 March 2018	31 December 2017
ASSETS		
Non-current assets		
Shares in subsidiaries	55,118.9	55,118.9
Total non-current assets	**55,118.9**	55,118.9
Current assets		
Receivables	9.5	7.5
Cash and cash equivalents	31.3	4.8
Total current assets	**40.8**	12.3
TOTAL ASSETS	**55,159.7**	55,131.2
SHAREHOLDERS´EQUITY AND LIABILITIES		
Shareholders´ equity including net result for the period	54,801.7	54,936.6
Non-current liabilities		
Provisions	0.7	0.6
Payables to group companies	–	–
Total non-current liabilities	**0.7**	0.6
Current liabilities		
Current liabilities	357.3	194.0
Total current liabilities	**357.3**	194.0
Total liabilities	**358.0**	194.6
TOTAL EQUITY AND LIABILITIES	**55,159.7**	55,131.2

Parent Company Cash Flow Statement

Expressed in MSEK	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Cash flow from operations			
Net result	-15.4	-29.8	46,648.6
Adjustment for non-cash related items	-4.3	2.9	-46,608.2
Changes in working capital	165.7	-1.4	189.2
Total cash flow from operations	**146.0**	-28.3	229.6
Cash flow from financing			
Change in long-term liabilities	–	41.9	–
Purchase of own shares	-119.5	–	-229.6
Total cash flow from financing	-119.5	41.9	-229.6
Change in cash and cash equivalents	26.5	13.6	–
Cash and cash equivalents at the beginning of the period	4.8	3.2	3.2
Currency exchange difference in cash and cash equivalents	–	-0.2	1.6
Cash and cash equivalents at the end of the period	**31.3**	16.6	4.8

Parent Company Statement of Changes in Equity

	Restricted equity		Unrestricted equity				
Expressed in MSEK	Share capital	Statutory reserve	Other reserves	Retained earnings	Dividends	Total	Total equity
Balance at 1 January 2017	**3.5**	**861.3**	**6,828.8**	**4,519.3**	**–**	**11,348.1**	**12,212.9**
Total comprehensive income	**–**	**–**	**–**	**-29.8**	**–**	**-29.8**	**-29.8**
Transactions with owners							
Distributions	–	–	–	–	-3,655.6	-3,655.6	-3,655.6
Total transactions with owners	**–**	**–**	**–**	**–**	**-3,655.6**	**-3,655.6**	**-3,655.6**
Balance at 31 March 2017	**3.5**	**861.3**	**6,828.8**	**4,489.5**	**-3,655.6**	**7,662.7**	**8,527.5**
Total comprehensive income	**–**	**–**	**–**	**46,678.4**	**–**	**46,678.4**	**46,678.4**
Transactions with owners							
Purchase of own shares	–	–	-229.6	–	–	-229.6	-229.6
Distributions	–	–	–	–	-39.7	-39.7	-39.7
Total transactions with owners	**–**	**–**	**-229.6**	**–**	**-39.7**	**-269.3**	**-269.3**
Balance at 31 December 2017	**3.5**	**861.3**	**6,599.2**	**51,167.9**	**-3,695.3**	**54,071.8**	**54,936.6**
Total comprehensive income	**–**	**–**	**–**	**-15.4**	**–**	**-15.4**	**-15.4**
Transactions with owners							
Purchase of own shares	–	–	-119.5	–	–	-119.5	-119.5
Total transactions with owners	**–**	**–**	**-119.5**	**–**	**–**	**-119.5**	**-119.5**
Balance at 31 March 2018	**3.5**	**861.3**	**6,479.7**	**51,152.5**	**-3,695.3**	**53.936.9**	**54,801.7**

Key Financial Data

Lundin Petroleum discloses alternative performance measures as part of its financial statements prepared in accordance with ESMA's (European Securities and Markets Authority) guidelines. Definitions of the performance measures are provided under the key ratio definitions below:

Financial data from continuing operations MUSD	**1 Jan 2018- 31 Mar 2018 3 months**	1 Jan 2017- 31 Mar 2017 3 months	1 Jan 2017- 31 Dec 2017 12 months
Revenue and other income	692.9	421.5	1,997.0
EBITDA[1]	456.5	355.8	1,501.5
Net result	228.8	59.2	380.9
Operating cash flow [1]	461.8	365.9	1,530.0
Free cash flow	171.8	27.5	203.7
Data per share from continuing operations USD			
Shareholders' equity per share	-0.23	-1.66	-1.03
Operating cash flow per share	1.36	1.07	4.50
Cash flow from operations per share	1.19	1.00	3.82
Earnings per share	0.68	0.18	1.13
Earnings per share fully diluted	0.67	0.18	1.13
EBITDA per share	1.35	1.05	4.41
EBITDA per share — fully diluted	1.34	1.04	4.40
Number of shares issued at period end	340,386,445	340,386,445	340,386,445
Number of shares in circulation at period end	338,513,135	340,386,445	339,153,135
Weighted average number of shares for the period	338,833,988	340,386,445	340,237,772
Weighted average number of shares for the period fully diluted	339,752,964	341,466,152	341,380,316
Share price SEK			
Share price at period end	209.60	181.80	187.80
Key ratios from continuing operations			
Return on equity (%) [2]	—	—	—
Return on capital employed (%)	9	7	22
Net debt/equity ratio (%) [2]	—	—	—
Equity ratio (%)	-1	-14	-6
Share of risk capital (%)	25	2	17
Interest coverage ratio	12	6	6
Operating cash flow/interest ratio	17	11	12
Yield	n/a	n/a	5

[1] Excludes the reported after tax accounting loss in 2017 of MUSD 14.4 on the divestment of a 39 percent working interest in the Brynhild field.

[2] As the equity at 31 March 2018, 31 December 2017 and 31 March 2017 is negative, these ratios have not been calculated.

Key Ratio Definitions

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation): Operating EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation): Operating profit before depletion of oil and gas properties, exploration costs, impairment costs, depreciation of other tangible assets and gain on sale of assets.

Operating cash flow: Revenue less production costs and less current taxes.

Free cash flow: Cash flow from operating activities less cash flow from investing activities in accordance with the consolidated statement of cash flow.

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 operating activities 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.

EBITDA per share fully diluted: EBITDA divided by the weighted average number of shares for the period after considering any dilution effect.

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.

Weighted average number of shares for the period fully diluted: 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 after considering any dilution effect.

Return on equity: Net result divided by average total equity.

Return on capital employed: Income before tax plus interest expenses plus/less currency 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 currency 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 expense for the period.

Yield: dividend per share in relation to quoted share price at the end of the period.

The financial information relating to the three month period ended 31 March 2018 has not been subject to review by the auditors of the Company.

Stockholm, 2 May 2018

Alex Schneiter
President and CEO

The Company will publish the following reports:

- The six month report (January – June 2018) will be published on 31 July 2018.
- The nine month report (January – September 2018) will be published on 7 November 2018.
- The year end report (January – December 2018) will be published on 31 January 2019.

The AGM will be held on 3 May 2018 in Stockholm, Sweden.

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

EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
CAD	Canadian dollar
CHF	Swiss franc
EUR	Euro
NOK	Norwegian krona
RUR	Russian rouble
SEK	Swedish krona
USD	US dollar
TSEK	Thousand SEK
TUSD	Thousand USD
MSEK	Million SEK
MUSD	Million USD

Oil related terms and measurements

boe	Barrels of oil equivalents
boepd	Barrels of oil equivalents per day
bopd	Barrels of oil per day
Mbbl	Thousand barrels
Mboe	Thousand barrels of oil equivalents
Mboepd	Thousand barrels of oil equivalents per day
Mbopd	Thousand barrels of oil per day
Mcf	Thousand cubic feet

This information is information that Lundin Petroleum AB is required to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the contact persons set out above, at 07.30 CEST on 2 May 2018.

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.

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