Interim balance sheet 30 June 2022

ABP Energy Holding B.V.

The Hague

Interim balance sheet as at 30 June 2022

	30 June 2022	
ASSETS	EUR '000	EUR '000
Fixed assets		
Financial fixed assets		
Shares in subsidiaries	6,675,332	
Loans to group companies	1,124,810	
		7,800,142
Receivables		
Other receivables		82
Cash and bank		643,990
TOTAL ASSETS		8,444,214
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Issued share capital	0	
Share premium reserve	2,459,016	
Retained earnings	1,886,063	
		4,345,079
Long-term liabilities		
Credit facility	577,645	
Loans from group companies	1,917,850	
		2,495,495
Current liabilities		
Payables to group companies	1,597,993	
Other liabilities	253	
Accrued expenses	5,394	
		1,603,640
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		8,444,214

Accounting policies for the balance sheet

1.1 Financial fixed assets

The investments in subsidiary companies are valued at cost or lower fair value.

Receivables included in financial fixed assets are recognised initially at fair value and subsequently measured at amortised cost less provisions where necessary.

At each balance sheet date the company assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or when impairment testing for an asset is required, the company determines the realisable value of the asset. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying value of an asset exceeds its realisable value. The realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

If it is established that a previously recognised impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined had no asset impairment been recognised.

1.2 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less, if considered necessary, a provision for possibly uncollectable accounts. When determining the initial valuation of long-term receivables from group companies, the fair value calculation is determined by applying a group interest rate rather than a discount rate on individual loans, because these loans are issued in a group context whereby risks are managed on a group level.

1.3 Cash and banks

Cash in foreign currencies is converted to EUR at exchange rates prevailing at balance sheet date. Cash and banks are stated at face value.

1.4 Long-term liabilities

Long-term liabilities are recognised initially at fair value. Borrowings are subsequently stated at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

1.5 Current liabilities

Current liabilities are initially recognised at fair value and are subsequently stated at amortised cost.

1.6 Foreign currencies

Balance sheet items relating to assets and liabilities denominated in currencies other than the euro are translated at the rate of exchange prevailing on balance sheet date.

Non-monetary assets acquired in a currency other than the euro and which are valued at cost are translated at the rate of exchange on the transaction date.

Annual accounts 2021

Lundin Energy Holding B.V.

The Hague

ANNUAL ACCOUNTS 2021 ADOPTED BY AGM HELD ON 23 MAY 2022

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Annual report of the directors

Annual report of the directors

The management of Lundin Energy Holding B.V. (the company) has the pleasure to present the company's annual accounts for the year ended 31 December 2021 and to report a summary of the activities of the company.

Operations

The company acts as the central holding and financing company of the Lundin Energy Group (the Group), consisting of Lundin Energy AB, the company and its subsidiaries. The company changed its name to Lundin Energy Holding B.V. on 1 April 2020 and was previously named Lundin Petroleum Holding B.V.

In December 2020, the company was successfully refinanced by entering into a five-year corporate facility of USD 5.0 billion with the facility being a combination of a five year USD 1.5 billion revolving facility and USD 3.5 billion term loans, split across two, three, four and five year maturities with USD 2.0 billion term loans being repaid in June 2021 and USD 0.3 billion term loans being repaid in November 2021 leaving USD 1.2 billion term loans split across three, four and five year maturities. The facility has a weighted average interest rate margin over LIBOR of 1.60%.

The facility also includes the option to bring in additional commitments in an accordion option of up to USD 1.0 billion. In line with the Group's best in class environmental profile, ESG KPIs on carbon intensity and renewable electricity generation have been incorporated into the margin structure, providing further financial incentives for the delivery of the decarbonisation strategy and the 2023 carbon neutrality target. The company achieved a lower interest rate margin over LIBOR during the year based on the ESG KPIs incorporated in the margin structure. The structure of the Facility is such, that it is compatible with the issued unsecured bonds through the debt capital markets at pari passu terms. The size of the remaining facility will reduce from USD 2.7 billion to USD 2.5 billion as per 11 December 2023 and to USD 2.0 billion as per 11 December 2024 with a final maturity on 11 December 2025.

In June 2021, the Lundin Energy Group issued USD 2.0 billion of Senior Notes consisting of USD 1.0 billion Senior Notes due in 2026 and USD 1.0 billion Senior Notes due in 2031. In line with the issued Senior Notes, the company entered into an intragroup loan agreement in which all proceeds were made available to the company with the purpose to partly refinance the company as the Senior Notes have terms that are more favourable and have a longer maturity compared to the revolving facility and term loan entered into during 2020.

The outstanding balance under the facility amounted to USD 1.200 billion (EUR 1.060 billion) as per 31 December 2021 compared to USD 3.994 billion (EUR 3.255 billion) as per 31 December 2020. The decrease was mainly driven by the proceeds of the issued USD 2.0 billion Senior Notes in combination with the positive cash flow generated by Lundin Energy Norway AS during the year partly offset by investments in the renewable energy business and dividend payments during the year.

Financial data

Operating income amounted to EUR 38.8 million (2020: EUR 74.9 million) and related to interest and commitment fee income under the intragroup loan agreements. The operating result for the year amounted to a loss of EUR 15.1 million (2020: loss of EUR 3.7 million) with the increased loss mainly driven by lower interest rates.

The financial result for the year amounted to a loss of EUR 272.5 million (2020: gain of EUR 85.0 million) and mainly related to exchange result losses amounting to EUR 148.0 million (2020: gain of EUR 190.2 million) as a result of fluctuations in the value of the EUR currency against the US dollar and Norwegian Kroner. Losses on forward exchange contracts amounted to EUR 10.9 million (2020: EUR 28.9 million) as a result of fluctuations in the value of the US dollar currency against the Norwegian Kroner and interest expenses and similar charges amounted to EUR 113.9 million (2020: EUR 76.9 million) in relation to the charges that are not associated with operating income. Interest expenses and similar charges included a charge of EUR 52.2 million in relation to ineffective interest rate hedges following the repayment of USD 2.0 billion term loans in June 2021 and USD 0.3 billion term loans in November 2021, as a result of which the company has outstanding interest rate hedges above the outstanding debt levels with a floating interest rate.

Result from investments amounted to a gain of EUR 594.4 million (2020: gain of EUR 303.8 million) and mainly related to received dividend.

The available liquidity headroom under the credit facility amounted to USD 1.2 billion (EUR 1.060 billion) as per the end of 2021.

Risks and uncertainties

As the central holding and financing company of the Group, the company is exposed to financial and external risks such as fluctuations in currency rates, interest rates, oil price, as well as credit financing. The company controls these risks, directly or within the Group, through sound management practice and the use of generally accepted financial instruments. Financial instruments are solely used for the purpose of minimising risks in the company's business. Financial risks are considered incorporating the effects for the Group as a whole.

Currency risk

In case of currency risk, the company will consider setting the rate of exchange for known costs and financing needs in advance so that future cost and financing levels can be forecasted with a reasonable degree of certainty. The company will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge. The company entered into currency hedging contracts fixing the rate of exchange from USD into NOK to meet future NOK requirements by Lundin Energy Norway AS. As per 31 December 2021, the company has outstanding currency rate hedges for 2022 - 2024 to buy NOK 2,260.0 million and to sell USD 280.6 million that gives an average contractual exchange rate of NOK 8.05 : USD 1. The company has also outstanding put options for the first half of 2022 to buy NOK 9,466.0 million and to sell USD 1,143.6 million that gives an average contractual strike price of NOK 8.28 : USD 1.

Interest rate risk

The company is exposed to interest rate risk through the credit facility and its policy is to assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the company, then the company may choose to enter into an interest hedge. The company borrowed USD 2.0 billion from its subsidiary Lundin Energy Finance B.V. in June 2021 with a fixed interest rate following the successful issuance of USD 2.0 billion Senior Notes by Lundin Energy Finance B.V. and the company used the net proceeds to repay USD 2.0 billion of the credit facility term loans with a floating interest rate. The company repaid a further USD 0.3 billion of the credit facility in November 2021 and as a result of these transactions, the company has outstanding interest rate hedges above the outstanding debt levels with a floating interest rate.

As per 31 December 2021, the company has outstanding interest rate hedge contracts as follows:

Borrowing in million USD	Fixing of floating LIBOR rate per annum	Settlement period
3,200	2.20%	1 Jan 2022 - 31 Dec 2022
2,700	1.38%	1 Jan 2023 - 31 Dec 2023
2,200	1.47%	1 Jan 2024 - 31 Dec 2024
1,400	0.71%	1 Jan 2025 - 31 Dec 2025
1,100	0.81%	1 Jan 2026 - 30 Jun 2026

Oil price risk

Price of oil is affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, pandemics, economic conditions, political instability or conflicts or actions by major oil exporting countries. Price fluctuations can affect the company's financial position as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. The company's policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances, the company will assess the benefits of forward hedging monthly sales contracts so that future cash flows can be forecasted with a reasonable degree of certainty. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge. During 2021 no oil price hedging contracts were entered into by the company.

Asset management and cost control

Development projects and production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect the company´s cash flow levels to varying degrees as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. Effective procurement and cost control management processes are essential in ensuring that reasonable cost levels are achieved relative to business plans. All development projects must pass through the Lundin Energy value process that requires approval from the Investment Committee, and from the Board for significant investment decisions. In addition, government organisations, partners and third party groups provide independent oversight.

Credit risk

The company's policy is to limit risks by limiting the counter parties to major banks.

The receivables are mainly related to group companies. Cash is mainly generated from the underlying business of the Group in Norway. Given the results and forecast, the credit risk is deemed remote.

Liquidity risk

In June 2021, the company borrowed USD 2.0 billion from its subsidiary Lundin Energy Finance B.V. following the successful issuance of USD 2.0 billion Senior Notes by Lundin Energy Finance B.V. consisting of USD 1.0 billion 2.0 percent Senior Notes due in 2026 at a price equal to 99.827 percent and USD 1.0 billion 3.1 percent Senior Notes due in 2031 at a price equal to 99.81 percent.

In December 2020, the company entered into a five-year corporate facility of USD 5.0 billion with the facility being a combination of a five year USD 1.5 billion revolving facility and USD 3.5 billion term loans, split across two, three, four and five year maturities with USD 2.0 billion term loans being repaid in June 2021 and USD 0.3 billion term loans being repaid in November 2021 leaving USD 1.2 billion term loans split across three, four and five year maturities.

With these lending facilities in place and the sound cash flow generated by the Group, the company is in a strong financial position. It is expected that the Group's ongoing development and exploration and appraisal expenditure requirements will be funded by the Group's cash flow and credit facility.

Changes to laws and regulations

The company's subsidiaries operate in various countries, mainly in Norway. Changes to laws and regulations within these countries may lead to negative consequences such as, but not limited to, the expropriation of property, cancellation of or modification of contract rights, and uncertainty in taxation. These changes might affect the company's financial position. The company reviews its portfolio of assets in relation to its financial performance on a regular basis. The company strives to ensure comprehensive interpretation and compliance with regulations that may impact the business.

On 19th June 2020, certain temporary changes in the Norwegian Petroleum Tax Law were enacted. The temporary changes allow investments incurred in 2020 and 2021 to be fully deducted against the Special Petroleum Tax (SPT) in the year of investment, compared to a six year linear depreciation for the ordinary tax regime. There is a further deduction available against the SPT in the form of an uplift. For the years 2020 and 2021, the uplift has been changed to 24 percent of the investment incurred in the year and is fully deductible in the year the investment is incurred, versus the previous uplift treatment which stipulated that the investment incurred during the year qualified for an uplift of 5.2 percent annually over four years (i.e. 20.8 percent uplift). The temporary changes in the Petroleum Tax Law also apply for Plan for Development and Operations submitted within 2022. These tax rules changes reduced the current tax charge for the years 2020 and 2021 of Lundin Energy Norway AS, the major subsidiary of the company, with the cash flow impact spread over the period 2020 to 2022, due to the phasing of the tax instalments in Norway.

The Norwegian Government has further proposed to revise the SPT system as of 2022, replacing the rules on depreciation and uplift with immediate investment expensing (cash-flow tax), through the combined tax rate for corporation tax and SPT will remain unchanged at 78 percent. These changes have no implication for the rules for the temporary changes described above.

COVID-19

As explained in paragraph 1.4 of the annual accounts, the Group has maintained a proactive approach in safeguarding the wellbeing of its employees and contractors and ensuring the virus has minimal impact on its operations. To date there have been no disruptions to production due to the COVID-19 situation and while certain project activities have been affected, the disruptions have been successfully managed to avoid any negative impact on the production outlook for Lundin Energy Norway AS, the company's operational subsidiary.

Strategic response to climate risks

The Group faces both physical climate change risks as well as energy transition risks. As an efficient offshore operator, we assess physical risks from climate change as essentially non-material to our business, due to the fact that our assets were designed to withstand acute and chronic physical impacts, such as sea level rise and extreme weather. However, transition risks require more focus and active management, with the top risk for the Group being the changing long-term demand for oil. Due to our industry-leading low operating costs, our portfolio is highly resilient under a range of different climate scenarios, including the IEA's Sustainable Development Scenario, which is in line with goals of the Paris Agreement. Furthermore, in the IEA Sustainable Development Scenario, our 2P reserves estimate is only 1.7 percent lower than in our base case. In the Announced Pledges Scenario (which is aligned with a 2.7 degree temperature rise), our 2P reserves are not impacted at all. In relation to operating costs, these are also largely insulated against carbon pricing. In 2021, direct carbon costs were 6.6 percent of the Group's opex per barrel, but once we have electrified our assets, this will drop to 2.4 percent of opex in 2023.

Sustainable operations

Decarbonisation

Decarbonisation is a key strategic pillar for the Group and a significant differentiator for the business. The Decarbonisation Plan is composed of four pillars – reducing operational emissions, powering key assets from shore, investing in renewable power to replace net electricity usage and investments in natural carbon capture projects to neutralise residual emissions. A critical step towards carbon neutrality will be the electrification of the Edvard Grieg platform, which is being executed in parallel with the Johan Sverdrup Phase 2 development and will be operational in late 2022. Carbon emissions were 2.9 kg of CO2 per boe in 2021, which is well within the Group's 2021 target of less than 4 kg of CO2 per boe. On completion of the electrification of Edvard Grieg, the Group's average net carbon intensity is expected to be approximately 1 kg CO2 per boe, over fifteen times better than the industry average. Considering this, in September 2021, the decision was taken to accelerate decarbonisation by two years to achieve carbon neutrality for operational emissions by 2023.

In January 2021, the Group signed a partnership with Land Life Company B.V., to invest MUSD 35 in high quality reforestation projects to plant approximately seven million trees between 2021 and 2025, capturing approximately 2.5 million tonnes of CO2. During the year, approximately 480,000 trees were planted in Spain and Ghana.

In September 2021, the Group signed a partnership with EcoPlanet Bamboo WA II. The Group will invest MUSD 9 in sustainable bamboo plantations where over 1 million bamboo clumps will be planted on degraded land between 2022–2024, capturing approximately 1.7 million tonnes of CO2 over 10 years.

In November 2021, Lundin Energy was included in the S&P Global Dow Jones Sustainability Europe Index (DJSI) for the first time, and ranked as one of the top three companies in Europe within its industry. The DJSI comprises European ESG leaders and represents the top 20 percent of ranked companies from the largest 600 companies in the S&P Global Broad Market Index.

Certified carbon neutrality produced crude oil sale

In April 2021, the Group announced that it had sold a cargo of certified carbon neutrally produced Edvard Grieg crude to Saras S.p.A, the first such cargo in the world to have been traded and a significant step forward for the international oil market, in terms of a barrel of crude oil trading on the merits of its carbon emissions. Lundin Energy's Edvard Grieg field was the first oil field in the world to be independently certified by Intertek Group plc (Intertek), under its CarbonClearTM certification. The field is certified as low carbon at 3.4 kg of CO2e per boe, including exploration, development and production.

Following the success of the first certified, carbon neutrally produced barrels at Edvard Grieg, in June 2021, the Group announced that all future barrels of oil the Group sells from the Johan Sverdrup field will be certified as carbon neutrally produced under the CarbonZeroTM standard. The field has been independently certified at 0.4 kg CO2e per boe, approximately 40 times better than the world average. The first carbon neutrally produced cargo from Johan Sverdrup was sold to GS Caltex, Korea in June 2021.

In order to supply a carbon neutrally produced barrel, residual emissions for both the Edvard Grieg and Johan Sverdrup fields were compensated through high quality, natural carbon capture projects, certified by the Verified Carbon Standard (VCS) and independently certified by Intertek. Almost 60 percent of the Group's current net production is certified as carbon neutrally produced. Carbon neutrally produced cargo sales have continued during the year, adding competitive advantage to our marketing efforts and it is management's strong belief that as the market for carbon neutrally produced crudes matures, a premium per barrel will be realised, adding significant value potential.

Renewable energy generation portfolio

In April 2021, the Group completed a transaction to acquire a 100 percent interest in the Karskruv onshore wind farm project in southern Sweden. The construction works on the wind farm have already commenced and are progressing on schedule with the facility planned to be operational in late 2023 with production of an estimated 290 GWh per annum, from 20 onshore wind turbines.

Construction and commissioning of the second phase of the Leikanger hydropower project in Norway was completed in March 2021 and is now operational at full capacity.

The project works are progressing well on the Metsälamminkangas (MLK) wind farm in Finland, with most of the construction work completed. Power started to be generated with the first wind turbine online in early October and commercial handover of the wind farm to the Group occurred at the end of the first quarter 2022.

The Group has now committed to three renewable projects, with a combined net power generation capacity of around 600 GWh per annum from late 2023.

Sustainability Report

The Sustainability Report that is available on our website www.lundin-energy.com, summarises the Group's activities over the 2021 calendar year.

Forecast

The company is the central holding and financing company of the Group. The discoveries in recent years and current/foreseen developments of oil fields in Norway did have a major impact on the strategy of the Group in general and has significantly increased the role and importance of the central holding and financing company of the Group.

On 21 December 2021, the Group announced the creation of the leading E&P company of the future combining Aker BP and Lundin Energy with closing of the transaction currently expected to occur late June 2022. The company will as a result of the announced combination be acquired by Aker BP which results in a change of the ultimate parent company. If all necessary approvals for the transaction are obtained and closing of the transaction occurs during 2022, changes are expected in the company's holdings during 2022. The outstanding credit facility will have a remaining term of less than one year if all approvals for the transaction are obtained and closing of the transaction occurs during 2022 as currently anticipated.

No changes are expected in 2022 in the number of employees employed by the company.

The Hague, 17 May 2022

N.J.R. Walker A.J.W. Harber G.W.M. de Ruiter

Annual accounts

Balance sheet as at 31 December 2021
(after proposed appropriation of result)

	Note	31 December 2021		31 December 2020	
ASSETS		EUR '000	EUR '000	EUR '000	EUR '000
Fixed assets					
Financial fixed assets	5.1				
Shares in subsidiaries		6,674,702		6,675,014	
Loans to group companies		1,356,855		1,756,828	
			8,031,557		**8,431,842**
Receivables	5.2				
Receivables from group companies		1,108		899	
Derivative instruments		4,253		-	
Other receivables		8,206		81	
			13,567		**980**
Cash and bank	5.3		**127,100**		**2,724**
TOTAL ASSETS			**8,172,224**		**8,435,546**

	Note	31 December 2021		31 December 2020	
LIABILITIES AND SHAREHOLDERS' EQUITY		EUR '000	EUR '000	EUR '000	EUR '000
Shareholders' equity	5.4				
Issued share capital		0		0	
Share premium reserve		2,186,612		3,481,882	
Retained earnings		1,903,892		1,597,101	
			4,090,504		**5,078,983**
Provisions	5.5				
Others		57		36	
			57		**36**
Long-term liabilities	5.6				
Credit facility		1,056,681		3,246,659	
Loans from group companies		1,757,870		2,591	
Derivative instruments		9,978		22,057	
			2,824,529		**3,271,307**
Current liabilities	5.7				
Payables to group companies		1,196,397		56,629	
Derivative instruments		48,690		23,218	
Taxes payable		41		79	
Other liabilities		10,812		299	
Accrued expenses		1,194		4,995	
			1,257,134		**85,220**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**8,172,224**		**8,435,546**

Profit and loss account for the year ended 31 December 2021

	Note	2021		2020	
		EUR '000	EUR '000	EUR '000	EUR '000
Operating income					
Revenues	6.1	38,827		74,906	
			38,827		**74,906**
Operating charges					
External charges	6.2	53,554		78,285	
Personnel expenses	6.3	279		261	
Additions to provisions	5.5	66		25	
			(53,899)		**(78,571)**
Operating result			**(15,072)**		**(3,665)**
Financial income and expenses					
Interest income and similar proceeds	6.4	281		569	
Interest expenses and similar charges	6.5	(113,902)		(76,894)	
Other financial result	6.6	(158,885)		161,333	
			(272,506)		**85,008**
Result before taxation			**(287,578)**		**81,343**
Taxes	6.7		-		-
Result from investments	6.8		594,369		303,817
Net result after taxation			**306,791**		**385,160**

Notes to the balance sheet and profit and loss account

1 General

1.1 General

Lundin Energy Holding B.V. (the company) was incorporated on 7 March 2017. The company is a wholly owned subsidiary of Lundin Energy AB which is also the ultimate parent company of the Lundin Energy Group. The address and statutory seat of Lundin Energy AB is Hovslagargatan 5, Stockholm, Sweden.

The company's address and statutory seat is Amaliastraat 3-5, The Hague, the Netherlands and registered at the chamber of commerce under number 68246226.

1.2 Activities

The activities of Lundin Energy Holding B.V. are amongst others to incorporate, to participate, to manage, to finance and to supervise businesses and companies.

1.3 Basis for preparation

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code. If not specifically stated otherwise, assets and liabilities are recognised at the amounts at which they were acquired or incurred. The balance sheet and profit and loss account include references to the notes.

1.4 Implications of COVID-19 on our business

The Group has maintained a proactive approach in safeguarding the wellbeing of its employees and contractors and ensuring the virus has minimal impact on its operations. To date there have been no disruptions to production due to the COVID-19 situation and while certain project activities have been affected, the disruptions have been successfully managed to avoid any negative impact on the production outlook for Lundin Energy Norway AS, the company's operational subsidiary.

1.5 Comparison with previous year

The principles of valuation and determination of the result remained unchanged compared to the previous year.

1.6 Related-party transactions

Lundin Energy AB is classified as related party as a result of the fact that this company can exercise decisive control over Lundin Energy Holding B.V. All other group companies are also classified as related party as Lundin Energy Holding B.V. is the central holding and financing company of the Lundin Energy Group. All directors of the company are also classified as related party.

The nature, extent and other information is disclosed if this is required to provide the true and fair view.

1.7 Functional currency

The functional currency of the company's operations is the Euro and it has therefore been decided that the company will draw up its financial statements in Euro.

1.8 Consolidation

The company has made use of the consolidation exemption in article 408, paragraph 1, book 2 of the Dutch Civil Code. The consolidated accounts of Lundin Energy AB for the year ended 31 December 2021 are filed at the Commercial Registry in The Hague, the Netherlands.

1.9 Cash flow statement

In conformity with the exemption provisions of the Guidelines for Annual Reporting in the Netherlands, a cash flow statement is not presented. The company's cash flow is included in the consolidated statement of cash flow of the parent company that can be find in the consolidated accounts of Lundin Energy AB. The consolidated accounts of Lundin Energy AB for the year ended 31 December 2021 are filed at the Commercial Registry in The Hague, the Netherlands.

1.10 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. If necessary for the purpose of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Accounting policies for the balance sheet

2.1 *Financial fixed assets*

As the company acts as a holding company in an international group, and makes use of the consolidation exemption as per Article 408 of the Dutch Civil Code, the investments in subsidiary companies are valued at cost or lower fair value.

Receivables included in financial fixed assets are recognised initially at fair value and subsequently measured at amortised cost less provisions where necessary.

At each balance sheet date the company assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or when impairment testing for an asset is required, the company determines the realisable value of the asset. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying value of an asset exceeds its realisable value. The realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

If it is established that a previously recognised impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined had no asset impairment been recognised.

2.2 *Receivables*

Receivables are recognised initially at fair value and subsequently measured at amortised cost less, if considered necessary, a provision for possibly uncollectable accounts. When determining the initial valuation of long-term receivables from group companies, the fair value calculation is determined by applying a group interest rate rather than a discount rate on individual loans, because these loans are issued in a group context whereby risks are managed on a group level.

2.3 *Cash and banks*

Cash in foreign currencies is converted to EUR at exchange rates prevailing at balance sheet date. Cash and banks are stated at face value.

2.4 *Provisions*

General

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, the settlement of which is likely to require an outflow of resources whose extent can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations as at the balance sheet date. Provisions are stated at the present value of the expenditure expected to be required to settle the obligations. If the expenditure to settle obligations is expected to be recovered from third parties, the recovery is carried as an asset on the balance sheet if it is likely to be received upon settlement of the obligation.

2.5 Long-term liabilities

Long-term liabilities are recognised initially at fair value. Borrowings are subsequently stated at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

2.6 Current liabilities

Current liabilities are initially recognised at fair value and are subsequently stated at amortised cost.

2.7 Foreign currencies

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Balance sheet items relating to assets and liabilities denominated in currencies other than the euro are translated at the rate of exchange prevailing on balance sheet date. The resulting exchange rate differences are credited or charged to the profit and loss account.

Non-monetary assets acquired in a currency other than the euro and which are valued at cost are translated at the rate of exchange on the transaction date.

At year end, the exchange rate for US dollar to EUR amounted to 0.8829 (2020: 0.8149) and the exchange rate for Norwegian Kroner to EUR amounted to 0.1001 (2020: 0.0955).

2.8 Financial instruments

Derivatives, of which the underlying object is listed on a stock exchange, are stated at fair value. All other on balance financial instruments are carried at cost or lower fair value. The company uses cost price hedge accounting for its interest rate hedge contracts intended to hedge the interest rate on part of the loan balance under the credit facility. Where appropriate, the gain or loss relating to the ineffective portion of the change in value of hedge contracts is recognised in the profit and loss account within finance costs.

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

- if the hedged item is recognised at cost in the balance sheet, the derivative instrument is also stated at cost;
- as long as the hedged item is not yet recognised in the balance sheet, the hedging instrument is not remeasured;
- if the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate at the balance sheet date.

The company shall discontinue prospectively the cost price hedge accounting if:

- the hedging instrument expires or is sold, terminated or exercised;
- the hedge no longer meets the criteria for hedge accounting.

Forward exchange contracts intended for future purchases in Norwegian Kroner and sales in US dollars for which no cost price hedging is applied, are valued at cost or lower fair value with the difference directly recognised in the profit and loss account in other financial result.

3 Accounting policies for the profit and loss account

3.1 General

Profit or loss is determined as the difference between the realisable value of the services rendered and the costs and other charges for the year. Gains or losses on transactions are recognised in the year in which they are realised; losses and costs are taken as soon as they are foreseeable.

Income includes the total amounts received and receivable.

Expenses include the total amounts paid and payable as well as:

- Additions to provisions;
- Net financial result.

3.2 Revenue recognition

Interest income

Interest income from non-quasi equity loans are classified as revenue. The associated interest expenses are included in external charges. Interest income and expense is recognised on a time-weighted basis, taking into account the effective interest rate of the assets and liabilities concerned.

Commitment fee income

Commitment fee income from non-quasi equity loans is received for committed amounts under intragroup loan agreements. Commitment fee income is recognised on an accrual basis in accordance with the relevant committed amounts and the actual loans provided.

3.3 External charges

External charges represent the direct and indirect expenses attributable to revenue and other external charges that are attributable to cost of sales.

3.4 Employee benefits

Salaries, wages and social security contributions are taken to the income statement based on the terms of employment, where they are due to employees. The company's pension obligation consists of a defined contribution plan with costs being recognised on incurrence.

3.5 Financial income and expense

Interest income and expenses are recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned.

Interest income from quasi equity loans and the associated interest expenses are reported as financial income and expense.

3.6 *Exchange differences*

Exchange differences arising upon the settlement or conversion of monetary items are recognised in the profit and loss account in the period that they arise.

Income and expenses in other currencies than the euros are converted into euro at the rate of settlement.

The average exchange rate used in 2021 for US dollar to EUR amounted to 0.8450 (2020: 0.8762) and the average exchange rate used in 2021 for Norwegian Kroner to EUR amounted to 0.0984 (2020: 0.0932).

3.7 *Taxation*

Tax on result is calculated by applying the current rate to the result for the financial year in the profit and loss account, taking into account tax losses carry-forward, tax exempt profit elements and after inclusion of non-deductible costs.

The taxable result for corporate income tax of the companies included in the fiscal unity is added to the result of Lundin Energy Holding B.V. as the parent company of the fiscal unity. The tax charge of this fiscal unity is fully accounted for in Lundin Energy Holding B.V and is not settled with the other companies within the fiscal unity.

3.8 *Result from investments*

Dividends received from subsidiaries not carried at net asset value are recognised as soon as the company acquires the right to them.

4 Risks and uncertainties

As the central holding and financing company of the Lundin Energy Group, Lundin Energy Holding B.V. is exposed to financial and external risks such as fluctuations in currency rates, interest rates, oil price, as well as credit financing. The company controls these risks, directly or within the Group, through sound management practice and the use of generally accepted financial instruments. Financial instruments are solely used for the purpose of minimising risks in the company's business. Financial risks are considered incorporating the effects for the Group as a whole.

Currency risk

In case of currency risk, the company will consider setting the rate of exchange for known costs and financing needs in advance so that future cost and financing levels can be forecasted with a reasonable degree of certainty. The company will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge. The company entered into currency hedging contracts fixing the rate of exchange from USD into NOK to meet future NOK requirements by Lundin Energy Norway AS. As per 31 December 2021, the company has outstanding currency rate hedges for 2022 - 2024 to buy NOK 2,260.0 million and to sell USD 280.6 million that gives an average contractual exchange rate of NOK 8.05 : USD 1. The company has also outstanding put options for the first half of 2022 to buy NOK 9,466.0 million and to sell USD 1,143.6 million that gives an average contractual strike price of NOK 8.28 : USD 1.

Interest rate risk

The company is exposed to interest rate risk through the credit facility and its policy is to assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the company, then the company may choose to enter into an interest hedge. The company borrowed USD 2.0 billion from its subsidiary Lundin Energy Finance B.V. in June 2021 with a fixed interest rate following the successful issuance of USD 2.0 billion Senior Notes by Lundin Energy Finance B.V. and the company used the net proceeds to repay USD 2.0 billion of the credit facility term loans with a floating interest rate. The company repaid a further USD 0.3 billion of the credit facility in November 2021 and as a result of these transactions, the company has outstanding interest rate hedges above the outstanding debt levels with a floating interest rate.

As per 31 December 2021, the company has outstanding interest rate hedge contracts as follows:

Borrowing in million USD	Fixing of floating LIBOR rate per annum	Settlement period
3,200	2.20%	1 Jan 2022 - 31 Dec 2022
2,700	1.38%	1 Jan 2023 - 31 Dec 2023
2,200	1.47%	1 Jan 2024 - 31 Dec 2024
1,400	0.71%	1 Jan 2025 - 31 Dec 2025
1,100	0.81%	1 Jan 2026 - 30 Jun 2026

Oil price risk

Price of oil is affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, pandemics, economic conditions, political instability or conflicts or actions by major oil exporting countries. Price fluctuations can affect the company's financial position as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. The company's policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances, the company will assess the benefits of forward hedging monthly sales contracts so that future cash flows can be forecasted with a reasonable degree of certainty. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge. During 2021 no oil price hedging contracts were entered into by the company.

Asset management and cost control

Development projects and production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect the company's cash flow levels to varying degrees as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. Effective procurement and cost control management processes are essential in ensuring that reasonable cost levels are achieved relative to business plans. All development projects must pass through the Lundin Energy value process that requires approval from the Investment Committee, and from the Board for significant investment decisions. In addition, government organisations, partners and third party groups provide independent oversight.

Credit risk

The company's policy is to limit risks by limiting the counter parties to major banks.

The receivables are mainly related to group companies. Cash is mainly generated from the underlying business of the Group in Norway. Given the results and forecast, the credit risk is deemed remote.

Liquidity risk

In June 2021, the company borrowed USD 2.0 billion from its subsidiary Lundin Energy Finance B.V. following the successful issuance of USD 2.0 billion Senior Notes by Lundin Energy Finance B.V. consisting of USD 1.0 billion 2.0 percent Senior Notes due in 2026 at a price equal to 99.827 percent and USD 1.0 billion 3.1 percent Senior Notes due in 2031 at a price equal to 99.81 percent.

In December 2020, the company entered into a five-year corporate facility of USD 5.0 billion with the facility being a combination of a five year USD 1.5 billion revolving facility and USD 3.5 billion term loans, split across two, three, four and five year maturities with USD 2.0 billion term loans being repaid in June 2021 and USD 0.3 billion term loans being repaid in November 2021 leaving USD 1.2 billion term loans split across three, four and five year maturities.

With these lending facilities in place and the sound cash flow generated by the Group, the company is in a strong financial position. It is expected that the Group's ongoing development and exploration and appraisal expenditure requirements will be funded by the Group's cash flow and credit facility.

Changes to laws and regulations

The company's subsidiaries operate in various countries, mainly in Norway. Changes to laws and regulations within these countries may lead to negative consequences such as, but not limited to, the expropriation of property, cancellation of or modification of contract rights, and uncertainty in taxation. These changes might affect the company's financial position. The company reviews its portfolio of assets in relation to its financial performance on a regular basis. The company strives to ensure comprehensive interpretation and compliance with regulations that may impact the business.

On 19th June 2020, certain temporary changes in the Norwegian Petroleum Tax Law were enacted. The temporary changes allow investments incurred in 2020 and 2021 to be fully deducted against the Special Petroleum Tax (SPT) in the year of investment, compared to a six year linear depreciation for the ordinary tax regime. There is a further deduction available against the SPT in the form of an uplift. For the years 2020 and 2021, the uplift has been changed to 24 percent of the investment incurred in the year and is fully deductible in the year the investment is incurred, versus the previous uplift treatment which stipulated that the investment incurred during the year qualified for an uplift of 5.2 percent annually over four years (i.e. 20.8 percent uplift). The temporary changes in the Petroleum Tax Law also apply for Plan for Development and Operations submitted within 2022. These tax rules changes reduced the current tax charge for the years 2020 and 2021 of Lundin Energy Norway AS, the major subsidiary of the company, with the cash flow impact spread over the period 2020 to 2022, due to the phasing of the tax instalments in Norway.

The Norwegian Government has further proposed to revise the SPT system as of 2022, replacing the rules on depreciation and uplift with immediate investment expensing (cash-flow tax), through the combined tax rate for corporation tax and SPT will remain unchanged at 78 percent. These changes have no implication for the rules for the temporary changes described above.

COVID-19

As explained in paragraph 1.4 of the annual accounts, the Group has maintained a proactive approach in safeguarding the wellbeing of its employees and contractors and ensuring the virus has minimal impact on its operations. To date there have been no disruptions to production due to the COVID-19 situation and while certain project activities have been affected, the disruptions have been successfully managed to avoid any negative impact on the production outlook for Lundin Energy Norway AS, the company's operational subsidiary.

Strategic response to climate risks

The Group faces both physical climate change risks as well as energy transition risks. As an efficient offshore operator, we assess physical risks from climate change as essentially non-material to our business, due to the fact that our assets were designed to withstand acute and chronic physical impacts, such as sea level rise and extreme weather. However, transition risks require more focus and active management, with the top risk for the Group being the changing long-term demand for oil. Due to our industry-leading low operating costs, our portfolio is highly resilient under a range of different climate scenarios, including the IEA's Sustainable Development Scenario, which is in line with goals of the Paris Agreement. Furthermore, in the IEA Sustainable Development Scenario, our 2P reserves estimate is only 1.7 percent lower than in our base case. In the Announced Pledges Scenario (which is aligned with a 2.7 degree temperature rise), our 2P reserves are not impacted at all. In relation to operating costs, these are also largely insulated against carbon pricing. In 2021, direct carbon costs were 6.6 percent of the Groups' opex per barrel, but once we have electrified our assets, this will drop to 2.4 percent of opex in 2023.

5 Notes to the balance sheet

5.1 *Financial fixed assets*

Shares in subsidiaries

The movement in the shares in subsidiaries can be specified as follows:

	2021	2020
	EUR '000	EUR '000
1 January	6,675,014	6,672,108
Incorporation	0	-
Contributions	-	3,955
Impairments	(312)	(1,049)
31 December	6,674,702	6,675,014

During 2021, the company incorporated Lundin Energy Finance B.V.

During 2020, the company made a capital contribution into the capital of a subsidiary company by converting an existing loan into equity. This loan was already partly provided for when contributed and the provision has been reclassified accordingly and netted against the contribution.

In January 2020, the company completed a transaction with OX2 AB (OX2) to acquire a 100 percent interest in the Metsälamminkangas (MLK) wind farm project, in mid Finland. On the same day of concluding the transaction with OX2, the company concluded a transaction with its wholly owned subsidiary Lundin Energy Renewables Holding B.V. to transfer the 100 percent interest in MLK to Lundin Energy Renewables Holding B.V. As both transactions occurred on the same day and under the same terms and conditions, these transactions are not included in the table above.

As at 31 December 2021, the company has interests in the following subsidiary companies:

- Lundin Energy Norway AS, Oslo, Norway (100%)
- Lundin Energy Marketing S.A., Geneva, Switzerland (100%)
- Lundin Energy Renewables Holding B.V., The Hague (100%)
- Lundin Energy Finance B.V., The Hague (100%)
- Lundin Energy S.A., Geneva, Switzerland (100%)
- Lundin Energy Services B.V., The Hague (100%)
- LRL B.V., The Hague (100%)

As at 31 December 2021, the sum of impairments amounts to EUR 8,396,000.

Associated companies

In June 2020, the company completed a transaction with Sognekraft AS to acquire a 50 percent interest in the Leikanger hydropower project, in mid-west Norway. On the same day of concluding the transaction with Sognekraft, the company concluded a transaction with its wholly owned subsidiary Lundin Energy Renewables Holding B.V. to transfer the 50 percent interest in Leikanger to Lundin Energy Renewables Holding B.V. Both transactions occurred on the same day and under the same terms and conditions.

Loans to group companies

The movement in the loans to group companies can be specified as follows:

	2021	2020
	EUR '000	EUR '000
1 January	1,756,828	2,096,911
Additions	76,956	89,485
Repayments	(596,442)	(363,024)
Interest	31,591	51,224
Movement provision	(2,032)	-
Reclassification	-	(3,955)
Exchange rate differences	89,954	(113,813)
31 December	1,356,855	1,756,828

The loans are part of group intercompany loan agreements.

In December 2020, the company entered into a five-year corporate facility of USD 5.0 billion as mentioned in paragraph 5.6. In line with this corporate facility, the company entered into intragroup loan agreements with its 100% subsidiary companies Lundin Energy Norway AS and Lundin Energy Renewables Holding B.V., in which the company agreed to make available a portion of the corporate facility for the purpose of funding the ongoing operations in Norway and the construction of the renewable power projects. The portion of the external facility made available during the five-year period varies from year to year. The maturity date of the intragroup loan agreement with Lundin Energy Norway AS and Lundin Energy Renewables Holding B.V. is December 2025.

In June 2021, the Lundin Energy Group issued USD 2.0 billion of Senior Notes consisting of USD 1.0 billion Senior Notes due in 2026 and USD 1.0 billion Senior Notes due in 2031 with all proceeds made available to the company as mentioned in paragraph 5.6. In line with the issued Senior Notes, the company entered into intragroup loan agreements with its 100% subsidiaries Lundin Energy Norway AS and Lundin Energy Renewables Holding B.V. in which part of the bonds proceeds was made available to these companies. The purpose of the bonds proceeds loans, which have terms that are more favourable and have a longer maturity compared to the revolving facility and term loans entered into during 2020, was the partly refinancing of these companies. The maturity dates of the bonds proceeds loans are 15 July 2026 for the five-year loan and 15 July 2031 for the ten-year loan.

The interest rate under the loan agreements, except for the bonds proceeds loans, is floating and was equal to the 3-months months LIBOR, NIBOR or EURIBOR plus 1.41% to 1.89% per annum during 2021 (2020: 1.25% - 2.50%), with the reference rate deemed to be zero when being less than zero. The interest rate on the bonds proceeds loans is fixed and is equal to 0.86% and 2.57% for the five-year loans and 1.64% and 3.25% for the ten-year loans. The company did not receive any securities for these loans.

5.2 *Receivables*

No receivables with maturities of more than one year are included under the current assets.

Derivative instruments
The derivative instruments relate to currency put option contracts with a maturity of less than one year valued at cost or lower fair value.

Other receivables
Other receivables amount to approximately EUR 8.2 million and include an EUR 8.0 million corporate income tax receivable as further explained in paragraph 5.8.

5.3 *Cash and bank*

All cash and bank balances are at the company's free disposal.

5.4 *Shareholders' equity*

Movements in shareholders' equity can be specified as follows:

	Issued share capital	**Share premium reserve**	**Retained earnings**	**Total**
	EUR '000	EUR '000	EUR '000	EUR '000
1 January 2020	0	3,741,148	1,211,941	4,953.089
Result for the year	-	-	385,160	385,160
Dividend distribution	-	(259,266)	-	(259,266)
31 December 2020	0	3,481,882	1,597,101	5,078,983
Result for the year	-	-	306,791	306,791
Dividend distribution	-	(1,295,270)	-	(1,295,270)
31 December 2021	0	2,186,612	1,903,892	4,090,504

Share capital
The issued share capital of the company amounts to EUR 100 and consists of 100 ordinary shares with a nominal value of EUR 1 each and was fully paid in.

Share premium reserve
On 30 March 2021, the company decided to make a dividend distribution amounting to USD 511,832,647.80, to be paid in quarterly instalments of USD 127,958,161.95 and with each instalment to be converted to Swedish Krona (SEK) based on the USD to SEK exchange rate published by Sweden´s central bank (Riksbanken) four business days prior to each payment date. The quarterly instalments were paid on 1 April 2021, 2 July 2021, 4 October 2021 and 5 January 2022. The dividend distribution equalled EUR 435,936,162.

On 22 December 2021, the company decided to make a dividend distribution amounting to SEK 8,843,062,406. An amount of SEK 185,107,062 was paid on 22 December 2021 and the remaining amount of SEK 8,657,955,344 was paid on 24 March 2022. The dividend distribution equalled EUR 859,333,995.

Proposed allocation of the result

Management proposes to add the profit for the year 2021 amounting to EUR 306,791,000 to the retained earnings and proposes that the interim dividend distributions made during the year amounting to EUR 1,295,270,157 are hereby final at the charge of the share premium reserve.

This proposal has been reflected in the balance sheet.

5.5 Provisions

Other

This item relates to a provision in relation to a Long-term incentive plan (LTIP). The LTIP consists of an annual grant of units that will be converted into a cash payment at vesting. The cash payment will be determined at the end of each vesting period by multiplying the number of units by the share price of the shares of Lundin Energy AB. The UBP has a three year duration whereby the initial grant of units vests equally in three tranches: one third after one year; one third after two years; and the final third after three years. Part of the provision as per end 2021 will have a remaining term of less than one year.

5.6 Long-term liabilities

Credit facility

Movements in credit facility are specified as follows:

	Outstanding credit facility	**Capitalized financing fees**	**Total**
	EUR '000	EUR '000	EUR '000
1 January 2020	3,560,620	(756)	3,559,864
Net additions corporate credit facility	3,261,212	-	3,261,212
Net repayments reserve-based lending facility	(3,356,509)	-	(3,356,509)
Additions	-	(8,256)	(8,256)
Amortization	-	843	843
Reclassification	81,894	-	81,894
Exchange result	(292,389)	-	(292,389)
31 December 2020	3,254,828	(8,169)	3,246,659
Net repayments corporate credit facility	(2,341,847)	-	(2,341,847)
Amortization	-	5,341	5,341
Exchange result	146,528	-	146,528
31 December 2021	1,059,509	(2,828)	1,056,681

Outstanding credit facility

In December 2020, the company entered into a five-year corporate facility of USD 5.0 billion with the facility being a combination of a five year USD 1.5 billion revolving facility and USD 3.5 billion term loans, split across two, three, four and five year maturities with USD 2.0 billion term loans being repaid in June 2021 and USD 0.3 billion term loans being repaid in November 2021 leaving USD 1.2 billion term loans split across three, four and five year maturities. The facility has a weighted average interest rate margin over LIBOR of 1.60%, with the floating LIBOR hedged as mentioned in paragraph 5.10. The facility also includes the option to bring in additional commitments in an accordion option of up to USD 1.0 billion. In line with the Lundin Energy Group best in class environmental profile, ESG KPIs on carbon intensity and renewable electricity generation have been incorporated into the margin structure, providing further financial incentives for the delivery of the decarbonisation strategy and the 2023 carbon neutrality target. The company achieved a lower interest rate margin over LIBOR during the year based on the ESG KPIs incorporated in the margin structure.

The structure of the Facility is such, that it is compatible with the issued unsecured bonds through the debt capital markets at pari passu terms. The size of the remaining facility will reduce from USD 2.7 billion to USD 2.5 billion as per 11 December 2023 and to USD 2.0 billion as per 11 December 2024 with a final maturity on 11 December 2025.

The facilities agreement provides that an 'event of default' occurs where the Group does not comply with certain material covenants or where certain events occur as specified in the agreement, as are customary in financing agreements of this size and nature. Two of the main financial covenants are the net debt to EBITDAX and the EBITDAX to financial charges testing the ability to repay debt. In addition, certain events (including the lex asea distribution by Lundin Energy AB as part of the anticipated transaction with Aker BP) will technically lead to events of default under the facilities agreement. During 2022, the company obtained a waiver from the external lenders for the events of defaults that would otherwise have been triggered by the anticipated transaction with Aker BP. During 2021, the company already secured a separate commitment to replace the facilities agreement if the above-mentioned waiver would not have been granted under the facilities agreement. If an event of default occurs and subject to any applicable cure periods, the external lenders may take certain specified actions, including accelerating the repayment of outstanding amounts under the facilities agreement.

The total interest expense for the year amounted to EUR 128.9 million which includes a loss on the interest rate hedges of EUR 92.4 million of which EUR 52.2 million relates to ineffective interest rate hedges following the repayment of USD 2.0 billion term loans in June 2021 and USD 0.3 billion term loans in November 2021. A 100 basis point increase in the interest rate would have resulted in a change in the total interest expense for the year of negative EUR 5.2 million, taking into account the interest rate hedges for 2021.

On 21 December 2021, the Group announced the creation of the leading E&P company of the future combining Aker BP and Lundin Energy with closing of the transaction currently expected to occur late June 2022. The company will as a result of the announced combination be acquired by Aker BP which results in a change of the ultimate parent company. The outstanding credit facility will have a remaining term of less than one year if all approvals for the transaction are obtained and closing of the transaction occurs during 2022 as currently anticipated.

Capitalized financing fees

Capitalized financing fees related to the company's share of the fees incurred for establishing the five-year corporate facility. The capitalized financing fees are amortised over the remaining period of the facility. Based on the intragroup loan agreement with the 100% subsidiary companies Lundin Energy Norway AS and Lundin Energy Renewables Holding B.V., part of the fees incurred were charged to these companies with these recharges being netted against the capitalized financing fees.

Loans from group companies

The movement in the loans from group companies can be specified as follows:

	Outstanding loans	Capitalized financing fees	Total
	EUR '000	EUR '000	EUR '000
1 January 2020	4,158	-	4,158
Additions	29	-	29
Repayments	(1,312)	-	(1,312)
Interest	144	-	144
Exchange rate differences	(428)	-	(428)
31 December 2020	2,591	-	2,591
Additions	1,670,343	(5,513)	1,664,830
Repayments	(2,605)	-	(2,605)
Interest	84	-	84
Amortization	-	411	411
Exchange rate differences	92,559	-	92,559
31 December 2021	1,762,972	(5,102)	1,757,870

Outstanding loans

The loans are part of group intercompany loan agreements.

In June 2021, the Lundin Energy Group issued USD 2.0 billion of Senior Notes consisting of USD 1.0 billion Senior Notes due in 2026 and USD 1.0 billion Senior Notes due in 2031. In line with the issued Senior Notes, the company entered into an intragroup loan agreement in which all proceeds were made available to the company with this bonds proceeds loan being a combination of a five-year USD 1.0 billion loan and a ten-year USD 1.0 billion loan. The purpose of the bonds proceeds loan, which has terms that are more favourable and have a longer maturity compared to the revolving facility and term loan entered into during 2020, was the partly refinancing of the company including the partly refinancing of subsidiary companies. The maturity dates of the bonds proceeds loans are 15 July 2026 for the five-year loan and 15 July 2031 for the ten-year loan.

The interest rate on the bonds proceeds loan is fixed and is equal to 2.0% for the five-year loan and 3.1% for the ten-year loan. The company did not grant any securities for this loan.

Capitalized financing fees

Capitalized financing fees related to the company's share of the fees incurred by the Lundin Energy Group for issuing the Senior Notes. The capitalized financing fees are amortised over the remaining period of the Senior Notes. Based on the intragroup loan agreement with the 100% subsidiary companies Lundin Energy Norway AS and Lundin Energy Renewables Holding B.V., part of the fees were charged to these companies with these recharges being netted against the capitalized financing fees.

Derivative instruments

The movement in the long-term derivative instruments liabilities can be specified as follows:

	2021	**2020**
	EUR '000	EUR '000
1 January	22,057	49,378
Fair value movements	6,164	(4,103)
Reclassification	(18,243)	(23,218)
31 December	9,978	22,057

The derivative instruments relate to ineffective interest rate hedge contracts following the repayment of USD 2.0 billion term loans in June 2021 and USD 0.3 billion term loans in November 2021 with a maturity of more than one year valued at cost or lower fair value and also relate to forward exchange contracts with a maturity of more than one year valued at cost or lower fair value intended to hedge future purchases in Norwegian Kroner and sales in US dollars as mentioned in paragraph 5.10.

5.7 *Current liabilities*

No payables with maturities of more than one year are included under the current liabilities. Apart from a deposit by Lundin Energy Norway AS, these liabilities are non interest-bearing.

Payables to group companies

Payables to group companies mainly relates to a liability to the parent company Lundin Energy AB and relates to the dividend distribution approved on 22 December 2021 as mentioned in paragraph 5.4 that was paid on 24 March 2022. Payables to group companies also relates to an EUR 216.4 million interest bearing short-term deposit by Lundin Energy Norway AS which bears interest at 0.2% per annum.

Derivative instruments

The derivative instruments relate to ineffective interest rate hedge contracts following the repayment of USD 2.0 billion term loans in June 2021 and USD 0.3 billion term loans in November 2021 with a maturity of less than one year valued at cost or lower fair value and also relate to forward exchange contracts with a maturity of less than one year valued at cost or lower fair value intended to hedge future purchases in Norwegian Kroner and sales in US dollars as mentioned in paragraph 5.10.

5.8 *Contingent assets*

The company has tax loss carry forwards of approximately EUR 65 million. The Dutch tax authorities disagree with the interpretation by the company of a specific article of the Dutch Corporate Income Tax Act which has been brought to Courts. The company was successful at the Lower Court and the decision by the Lower Court has been appealed by the Dutch tax authorities. The company has not provided for any costs in relation hereto as per 31 December 2021 as it believes that, based on the decision of the Lower Court and legal advice obtained, the proceedings will lead to no liability for the company. In case the company is ultimately unsuccessfull in the proceedings, there will be no tax loss carry forward balances as per 31 December 2021 and an amount of EUR 6.2 million out of the reported EUR 8.0 million current tax assets as per 31 December 2021 will be expensed. No deferred tax asset has been recognised in relation to the tax loss carry forwards due to the uncertainty of the timing and extent of the utilisation of the tax losses.

5.9 Contingent liabilities

The company forms part of a fiscal unit for corporate income tax and value added tax purposes with its Dutch subsidiaries. As a consequence, the company is jointly and severally liable for corporate income tax and value added tax liabilities of the fiscal unit.

5.10 Financial instruments

Interest rate hedge contracts

The company uses cost price hedge accounting for its effective interest rate hedge contracts intended to hedge the interest rate on the loan balance under the USD 5.0 billion credit facility. Consequently these interest rate hedge contracts are valued at cost being nil.

The company does not use cost price hedge accounting for its ineffective interest rate hedge contracts following the repayment of USD 2.0 billion term loans in June 2021 and USD 0.3 billion term loans in November 2021. Consequently these ineffective interest rate hedge contracts are valued at cost or lower fair value with the difference being directly recognised in the profit and loss account in interest expenses and similar charges. The ineffective interest rate hedge contracts are valued at EUR 34.5 million negative.

The fair value of the interest rate hedge contracts as per balance sheet date, based on the forward curves as per balance sheet date, amounts to EUR 41.8 million negative as some ineffective interest rate hedge contracts have a positive value which is not recognised yet in the profit and loss account and cost price hedge accounting is applied for the effective interest rate hedge contracts.

As per 31 December 2021, the company has outstanding interest rate hedge contracts as follows:

Borrowing in million USD	**Fixing of floating LIBOR rate per annum**	**Settlement period**
3,200	2.20%	1 Jan 2022 - 31 Dec 2022
2,700	1.38%	1 Jan 2023 - 31 Dec 2023
2,200	1.47%	1 Jan 2024 - 31 Dec 2024
1,400	0.71%	1 Jan 2025 - 31 Dec 2025
1,100	0.81%	1 Jan 2026 - 30 Jun 2026

Forward exchange contracts

The company does not use cost price hedge accounting for its forward exchange contracts intended for future purchases in Norwegian Kroner and sales in US dollars. Consequently these forward exchange contracts are valued at cost or lower fair value with the difference being directly recognised in the profit and loss account in other financial result. The forward exchange contracts are valued at EUR 20.0 million negative.

The fair value of the forward exchange contracts as per balance sheet date amounts to EUR 18.5 million negative as some outstanding forward exchange contracts have a positive fair value which is not recognised yet in the profit and loss account.

As per 31 December 2021, the company has outstanding forward exchange contracts as follows:

Buy	Sell	Average contractual exchange rate	Settlement period
MNOK 1,430.0	MUSD 183.4	NOK 7.80:USD 1	1 Jan 2022 - 31 Dec 2022
MNOK 530.0	MUSD 64.2	NOK 8.26:USD 1	1 Jan 2023 - 31 Dec 2023
MNOK 300.0	MUSD 33.0	NOK 9.09:USD 1	1 Jan 2024 - 31 Dec 2024

Buy	Sell	Average contractual price put options	Settlement period
MNOK 9,466.0	MUSD 1,143.6	NOK 8.28:USD 1	1 Jan 2022 - 30 May 2022

6 Notes to the profit and loss account

6.1 Revenues

	2021	2020
	EUR '000	EUR '000
Interest income	31,365	50,687
Commitment fee income	7,462	24,219
	38,827	74,906

The company is the central holding and financing company of the Lundin Energy Group.

6.2 External charges

This item can be specified as follows:	2021	2020
	EUR '000	EUR '000
Interest expenses facility	13,179	49,657
Interest group companies	14,785	-
Result on interest rate hedge contracts	18,637	18,494
Commitment fee expenses facility	6,111	9,590
Other external charges	842	544
	53,554	78,285

The interest expenses facility and interest group companies relates to the interest on the outstanding balances that is associated with the operating income. The result on interest rate hedge contracts relates to the result on interest rate hedge contracts associated with the operating income.

6.3 Personnel expenses

The company's pension obligation consists of defined contribution plans. The average number of employees employed by the company during 2021 on a full-time basis was 2 (2020: 2), both in the Netherlands.

6.4 *Interest income and similar proceeds*

This item can be specified as follows:

	2021	2020
	EUR '000	EUR '000
Interest group companies	226	537
Other interest income and similar proceeds	55	32
	281	569

6.5 *Interest expenses and similar charges*

This item can be specified as follows:

	2021	2020
	EUR '000	EUR '000
Interest expenses facility	23,306	55,282
Interest group companies	8,696	144
Result on interest rate hedge contracts	73,805	20,486
Amortization financing fees	5,752	843
Additions to provisions for loans to group companies	2,032	-
Other interest expenses and similar charges	311	139
	113,902	76,894

The interest expenses facility and interest group companies relates to the interest on the outstanding balances that is not associated with the operating income. The result on interest rate hedge contracts relates to the result on interest rate hedge contracts that is not associated with the operating income including the result on ineffective interest rate hedge contracts.

6.6 *Other financial result*

Other financial result can be specified as follows:	2021	2020
	EUR '000	EUR '000
Exchange differences	(147,983)	190,246
Result on derivative instruments	(10,902)	(28,913)
	(158,885)	161,333

Exchange rate variations result primarily from fluctuations in the value of the EUR currency against the US dollar and Norwegian Kroner. Result on derivative instruments relates to the forward exchange contracts for which no hedge accounting is applied.

6.7 *Taxes*

The legal tax rate for corporate income tax amounts to 25% with the effective tax rate amounting to nil what is mainly caused by the use of the participation exemption and by the fact that the financial result is almost entirely excluded for corporate income tax purposes.

6.8 *Result from investments*

This item can be specified as follows:	2021	2020
	EUR '000	EUR '000
Received dividend	594,681	304,866
Movement impairment of subsidiary companies	(312)	(1,049)
	594,369	303,817

6.9 *Related-party transactions*

Related party transactions include other parties that are controlled by key management personnel. Key management personnel include members of the Board of Directors of the parent company Lundin Energy AB.

During the year, the company entered into a sponsorship agreement with Team Tilt SA, a Swiss sailing racing team, for their participation in the SailGP high-speed racing catamaran series. The sponsorship agreement spans over three years, with an annual payment of between USD 130,000 to USD 175,000, with the first payment of USD 100,000 made during the year.

Team Tilt SA's majority owner is Sebastien Schneiter, an internationally recognised sailor who has represented Switzerland at European, World and Olympic events. Sebastien Schneiter is a close family member of the Group's current Board member and former CEO Alex Schneiter.

6.10 Directors' remuneration

Directors' remuneration amounted to EUR 53,750 (2020: EUR 50,000).

6.11 Audit fees

Based on article 2:382a sub 3 of the Dutch Civil Code, the company applies for exemption of the Independent auditor's fees disclosure. The audit fees of the company are included in the consolidated financial statements of Lundin Energy AB.

6.12 Subsequent events

On 21 December 2021, the Group announced the creation of the leading E&P company of the future combining Aker BP and Lundin Energy with closing of the transaction currently expected to occur late June 2022. The company will as a result of the announced combination be acquired by Aker BP which results in a change of the ultimate parent company.

The Hague, 17 May 2022

N.J.R. Walker	A.J.W. Harber	G.W.M. de Ruiter

Other information

Profit appropriation according to the Articles of Association

According to article 19 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders.

Article 19 of the Articles of Association reads as follows:
19.1 The allocation of profits accrued in a financial year shall be determined by the Shareholders' Body. If the Shareholders' Body does not adopt a resolution regarding the allocation of the profits prior to or at latest immediately after the adoption of the annual accounts, the profits will be reserved.
19.2 Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.
19.3 The Shareholders´ Body may resolve to make interim distributions on Shares and/or to make distributions on Shares at the expense of any reserve of the company. In addition, the Management Board may decide to make interim distributions on Shares.
19.4 Distributions on Shares shall be made payable immediately after the resolution to make the distribution, unless another date of payment has been determined in the resolution.
19.5 Distributions on Shares may be made only up to an amount which does not exceed the amount of the Distributable Equity.
19.6 In calculating the amount of any distribution on Shares, Shares held by the company shall be disregarded.
19.7 A resolution pertaining to distribution has no consequences until the Management Board has given its approval. The Management Board may withhold its approval only if it knows or reasonably ought to foresee that the company will not be able to continue to pay its immediately payable debts after the distribution.

Independent auditor's report

The independent auditor's report is included on the next page.

Independent auditor's report

To: the shareholder and the directors of Lundin Energy Holding B.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of Lundin Energy Holding B.V., based in The Hague.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of Lundin Energy Holding B.V. as at 31 December 2021, and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2021
- The profit and loss account for 2021
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Lundin Energy Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of

- The annual report of the directors
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

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We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the annual report of the directors t in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Rotterdam, 17 May 2022

Ernst & Young Accountants LLP

signed by O.A.M. Eberharter

Annual accounts 2020

Lundin Energy Holding B.V.

The Hague

ANNUAL ACCOUNTS 2020 ADOPTED BY AGM HELD ON 9 JUNE 2021

Contents

Annual report of the directors

Annual report of the directors

The management of Lundin Energy Holding B.V. (the company) has the pleasure to present the company's annual accounts for the year ended 31 December 2020 and to report a summary of the activities of the company.

Operations

The company acts as the central holding and financing company of the Lundin Energy Group (the Group), consisting of Lundin Energy AB, the company and its subsidiaries. The company changed its name to Lundin Energy Holding B.V. on 1 April 2020 and was previously named Lundin Petroleum Holding B.V.

In December 2020, the company was successfully refinanced by entering into a five-year corporate facility of USD 5.0 billion with the facility being a combination of a five year USD 1.5 billion revolving facility and USD 3.5 billion term loans, split across two, three, four and five year maturities. The facility has a weighted average interest rate margin over LIBOR of 1.60%, which is 0.90% lower compared to the previous USD 5.0 billion reserve-based lending facility that had an interest rate margin over LIBOR of 2.50% at refinancing date.

The facility also includes the option to bring in additional commitments in an accordion option of up to USD 1.0 billion. In line with the Group's best in class environmental profile, ESG KPIs on carbon intensity and renewable electricity generation have been incorporated into the margin structure, providing further financial incentives for the delivery of the decarbonisation strategy and the 2025 carbon neutrality target. The structure of the facility is such, that it is compatible with unsecured bond issuances through the debt capital markets at pari passu terms, which could be utilized at an appropriate time to diversify the capital structure. The facility is secured by a pledge over the shares of Lundin Energy Norway AS and some assets of the pledged company. The size of the facility will reduce from USD 5.0 billion to USD 4.5 billion as per 11 December 2022, to USD 3.5 billion as per 11 December 2023 and to USD 2.5 billion as per 11 December 2024 with a final maturity on 11 December 2025.

The outstanding balance under the facility amounted to USD 3.994 billion (EUR 3.255 billion) as per 31 December 2020 compared to USD 4.092 billion (EUR 3.643 billion) as per 31 December 2019. The decrease was mainly driven by the positive cash flow generated by Lundin Energy Norway AS during the year partly offset by investments in the renewable energy business and dividend payments during the year to Lundin Energy AB. During the comparative period on 5 October 2019, production commenced at Johan Sverdrup Phase 1 which marked a pivotal milestone for the Group and which is expected to result in a substantial increase in free cash flow generation by Lundin Energy Norway AS going forward.

Financial data

Operating income amounted to EUR 74.9 million (2019: EUR 98.1 million) and related to interest and commitment fee income under the intragroup loan agreement with Lundin Energy Norway AS. The operating result for the year amounted to a loss of EUR 3.7 million (2019: loss of EUR 5.7 million).

The financial result for the year amounted to a gain of EUR 85.0 million (2019: loss of EUR 176.9 million) and mainly related to exchange result gains amounting to EUR 190.2 million (2019: loss of EUR 55.2 million) as a result of fluctuations in the value of the EUR currency against the US dollar and Norwegian Kroner, losses on forward exchange contracts amounting to EUR 28.9 million (2019: EUR 56.1 million) as a result of fluctuations in the value of the US dollar currency against the Norwegian Kroner and interest expenses and similar charges amounting to EUR 76.9

million (2019: EUR 66.4 million) in relation to the outstanding balance under the credit facility that is not associated with operating income.

Result from investments amounted to a gain of EUR 303.8 million (2019: EUR 1,133.7 million) and mainly related to received dividend.

The available liquidity headroom under the USD 5.0 billion credit facility amounted to USD 1,006 million (EUR 820 million) as per the end of 2020.

Risks and uncertainties

As the central holding and financing company of the Group, the company is exposed to financial and external risks such as fluctuations in currency rates, interest rates, oil price, as well as credit financing. The company controls these risks, directly or within the Group, through sound management practice and the use of generally accepted financial instruments. Financial instruments are solely used for the purpose of minimising risks in the company's business. Financial risks are considered incorporating the effects for the Group as a whole.

Currency risk

In case of currency risk, the company will consider setting the rate of exchange for known costs and financing needs in advance so that future cost and financing levels can be forecasted with a reasonable degree of certainty. The company will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge. The company entered into currency hedging contracts fixing the rate of exchange from USD into NOK to meet future NOK requirements by Lundin Energy Norway AS. As per 31 December 2020, the company has outstanding currency rate hedges for 2021 - 2024 to buy NOK 6,592.6 million and to sell USD 797.1 million that gives an average contractual exchange rate of NOK 8.27 : USD 1.

Interest rate risk

The company is exposed to interest rate risk through the credit facility and its policy is to assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the company, then the company may choose to enter into an interest hedge. As per 31 December 2020, the company has outstanding interest rate hedge contracts as follows:

Borrowing in million USD	Fixing of floating LIBOR rate per annum	Settlement period
3,100	2.28%	1 Jan 2021 - 31 Dec 2021
3,200	2.20%	1 Jan 2022 - 31 Dec 2022
2,700	1.38%	1 Jan 2023 - 31 Dec 2023
2,200	1.47%	1 Jan 2024 - 31 Dec 2024
1,400	0.71%	1 Jan 2025 - 31 Dec 2025
1,100	0.81%	1 Jan 2026 - 31 Dec 2026

Oil price risk

Price of oil is affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, pandemics, economic conditions, political instability or conflicts or actions by major oil exporting countries. Price fluctuations can affect the company's financial position as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. The company's policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances, the company will assess the benefits of forward hedging monthly sales contracts so that future cash flows can be forecasted with a reasonable degree of certainty. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge. During 2020 no oil price hedging contracts were entered into.

Asset management and cost control

Development projects and production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect the company´s cash flow levels to varying degrees as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. Effective procurement and cost control management processes are essential in ensuring that reasonable cost levels are achieved relative to business plans. All development projects must pass through the Lundin Energy value process that requires approval from the Investment Committee, and from the Board for significant investment decisions. In addition, government organisations, partners and third party groups provide independent oversight.

Credit risk

The company's policy is to limit risks by limiting the counter parties to major banks.

Liquidity risk

In December 2020, the company entered into a five-year corporate facility of USD 5.0 billion with the facility being a combination of a five year USD 1.5 billion revolving facility and USD 3.5 billion term loans, split across two, three, four and five year maturities. With the new lending facility in place and the sound cash flow generated by the Group, the company is in a strong financial position. It is expected that the Group's ongoing development and exploration and appraisal expenditure requirements will be funded by the Group's cash flow and credit facility.

Changes to laws and regulations

The company's subsidiaries operate in various countries, mainly in Norway. Changes to laws and regulations within these countries may lead to negative consequences such as, but not limited to, the expropriation of property, cancellation of or modification of contract rights, and uncertainty in taxation. These changes might affect the company´s financial position. The company reviews its portfolio of assets in relation to its financial performance on a regular basis. The company strives to ensure comprehensive interpretation and compliance with regulations that may impact the business.

On 19th June 2020, certain temporary changes in the Norwegian Petroleum Tax Law were enacted. The temporary changes allow investments incurred in 2020 and 2021 to be fully deducted against the Special Petroleum Tax (SPT) in the year of investment, compared to a six year linear depreciation for the ordinary tax regime. There is a further deduction available against the SPT in the form of an uplift. For the years 2020 and 2021, the uplift has been changed to 24 percent of the investment incurred in the year and is fully deductible in the year the investment is incurred, versus the previous uplift treatment which stipulated that the investment incurred during the year qualified for an uplift of 5.2 percent annually over four years (i.e. 20.8 percent uplift). The temporary changes in the Petroleum Tax Law also apply for Plan for Development and Operations submitted within 2022. These tax rules changes reduced the current tax charge for the years 2020 and 2021 of Lundin Energy Norway AS, the major subsidiary of the company, with the cash flow impact spread over the period 2020 to 2022, due to the phasing of the tax instalments in Norway.

COVID-19

As explained in paragraph 1.4 of the annual accounts, the economic impact of COVID-19 and the oil price collapse during 2020 led to a challenging market backdrop. The main risks for the company regarding COVID-19 are:

- Revenues and profitability: as the central holding and financing company of the Group, the company's operating income and dividends are mainly received from its wholly owned subsidiary Lundin Energy Norway AS. The Group has maintained a proactive approach in safeguarding the wellbeing of its employees and contractors and ensuring the virus has minimal impact on its operations. To date there have been no disruptions to production due to the COVID-19 situation and while certain project activities have been affected, the disruptions have been successfully managed to avoid any negative impact on the production outlook for Lundin Energy Norway AS, the company's operational subsidiary.

- Financing and liquidity: as the central holding and financing company of the Group, the company extracts the external financing for the Group and provides liquidity to its wholly owned subsidiaries. The main operating entity within the Group is its wholly owned subsidiary Lundin Energy Norway AS with the shares of Lundin Energy Norway AS being pledged in relation to the credit facility entered into by the company. Lundin Energy Norway AS has high quality, low cost assets, which are resilient to a low oil price environment. Nevertheless, steps were taken during 2020 to defer activity and reduce spend, where it did not impact safety, asset integrity or production, in order to further strengthen the financial resilience of the Group. Total expenditure reductions and deferrals in 2020 were over MUSD 360 from original guidance, including capital expenditures, operating costs and G&A. The company also took the prudent measure during 2020 of securing further credit commitments of USD 340 million through an unsecured corporate facility in April 2020. This facility was cancelled in December 2020 following the successful refinancing.

Sustainable operations

The Group develops oil and gas resources efficiently and responsibly for a sustainable and low carbon energy future. Lundin Energy supplies energy to a changing world with a growing population. Global energy demand is expected to grow by 20% over the next two decades, but emissions need to be halved over the same period in order to meet the goals of the Paris Agreement. The energy transition will not happen overnight, and oil and gas will still account for about half of the energy the world needs in 2040. As such, this energy must be supplied from those players who run their businesses in the most responsible manner, and with the lowest emissions possible.

Initiated in 2001, the Sustainability Strategy of the Group supports the United Nations Sustainable Development Goals, and underpins the way we conduct business and produce energy, ensuring that we deliver lasting value for our shareholders, stakeholders and wider society. We foster a culture of responsible entrepreneurship to achieve our core goal: to strengthen our position as one of the most sustainable oil companies providing some of the best barrels in the world – safe, responsible, low cost and low emissions.

Within the Strategy, we aim to decarbonise our business to become carbon neutral across our operations from 2025, protect the environment and ensure we operate safely. We promote a diverse and engaged workforce and actively support the UN Global Compact's 10 Principles on human rights, labour standards, environment and anti-corruption, within the Group and across our value chain. We create positive societal impact by supporting innovation, R&D, education and corporate citizenship and uphold the highest levels of ethical conduct and transparency.

To that end, 2020 has been a busy year despite the challenges encountered from COVID-19. The industry is facing growing stakeholder pressure, with climate change as a particular focus for investors, lenders, customers and increasingly regulators. The Board of Directors of Lundin Energy AB adopted a new Decarbonisation Strategy at the beginning of the year and defined a roadmap, which incorporates energy efficiency, electrification, renewable energy investments and natural carbon capture.

Since formalising the Decarbonisation Strategy in January 2020, good progress has been made across the business with the net carbon intensity for all assets of 2.6 kg CO_2 per boe, which is approximately 50 percent lower than the 2019 average, and lower than the Group's target of 4 kg CO_2 per boe. This reduction is largely due to Johan Sverdrup coming on stream in October 2019, which had a carbon intensity during 2020 of less than 0.2 kg CO_2 per boe, and a strong focus within the business of minimising emissions. Lundin Energy's carbon emissions performance is set to improve further with the Edvard Grieg platform being fully electrified in late 2022, when the average net carbon intensity for all the Group's producing assets is expected to be below 2 kg CO2 per boe, approximately one-tenth of the industry average.

A key driver of the Decarbonisation Strategy is the electrification of the Group's main producing assets and the investment in renewable energy projects to replace the Group's net electricity consumption. With electrification of the Utsira High Area, including the Edvard Grieg and Johan Sverdrup fields by late 2022, over 95 percent of the Group's production will be powered from shore, consuming around 500 GWh per annum. To partially replace this electricity usage, two investments have been made by the Group in the Leikanger hydropower project in Norway and the Metsälamminkangas (MLK) wind farm project in Finland. When fully operational these projects will together generate around 300 GWh per annum net, which is approximately 60 percent of the Group's net electricity usage from 2023. It is Lundin Energy's strategy to fully replace all net electricity usage for power from shore by end 2023 with further direct investments in renewable energy electricity generation.

In January 2021, in light of the urgent need to decarbonise the industry, the Group announced that carbon neutrality will be achieved from 2025. The Group will also invest approximately MUSD 35 over the next 5 years in proprietary natural carbon capture projects to neutralise residual emissions from 2025 onwards.

The Sustainability Report that is available on our website www.lundin-energy.com, summarises Lundin Energy's activities over the 2020 calendar year. The Report is split by material issues that have been identified by our stakeholders and that have resulted from our activities, and delves into Lundin Energy's management of these material issues and our performance, which is evidenced by qualitative and quantitative data. As part of our commitment to the United Nations Global Compact, the Report also acts as our annual Communication on Progress. The Report describes practical actions Lundin Energy has taken to implement the 10 Principles, and highlights our contribution to the Sustainable Development Goals (SDGs). The Report is in accordance with the Global Reporting Initiative (GRI) Standards Guidelines and meets the non-financial reporting requirements, set out in Swedish law implementing the EU Directive 2014/95/EU.

Forecast

The company is the central holding and financing company of the Group. The discoveries in recent years and current/foreseen developments of oil fields in Norway did have a major impact on the strategy of the Group in general and has significantly increased the role and importance of the central holding and financing company of the Group. As the company´s investments in subsidiaries are in principle long term investments, no changes in the company´s holdings are expected for 2021.

Subsequent to year end, the company decided to make a dividend distribution amounting to USD 511.8 million, to be paid in quarterly instalments and with each instalment to be converted to Swedish Krona (SEK) based on the USD to SEK exchange rate published by Sweden´s central bank (Riksbanken) four business days prior to each payment date. The quarterly instalments will be paid on 1 April 2021, 2 July 2021, 4 October 2021 and 5 January 2022. The dividend distribution is equal to EUR 435.9 million.

No changes are expected in 2021 in the number of employees employed by the company.

The Hague, 19 May 2021

N.J.R. Walker A.J.W. Harber G.W.M. de Ruiter

Annual accounts

Balance sheet as at 31 December 2020
(after proposed appropriation of result)

	Note	31 December 2020		31 December 2019	
ASSETS		EUR '000	EUR '000	EUR '000	EUR '000
Fixed assets					
Financial fixed assets	5.1				
Shares in subsidiaries		6,675,014		6,672,108	
Loans to group companies		1,756,828		2,096,911	
			8,431,842		**8,769,019**
Receivables	5.2				
Receivables from group companies		899		632	
Other receivables		81		39	
			980		**671**
Cash and bank	5.3		**2,724**		**3,539**
TOTAL ASSETS			**8,435,546**		**8,773,229**

	Note	31 December 2020		31 December 2019	
LIABILITIES AND SHAREHOLDERS' EQUITY		EUR '000	EUR '000	EUR '000	EUR '000
Shareholders' equity	5.4				
Issued share capital		0		0	
Share premium reserve		3,481,882		3,741,148	
Retained earnings		1,597,101		1,211,941	
			5,078,983		**4,953,089**
Provisions	5.5				
Others		36		41	
			36		**41**
Long-term liabilities	5.6				
Credit facility		3,246,659		3,559,864	
Loans from group companies		2,591		4,158	
Derivative instruments		22,057		49,378	
			3,271,307		**3,613,400**
Current liabilities	5.7				
Credit facility		-		81,894	
Payables to group companies		56,629		104,662	
Derivative instruments		23,218		19,488	
Taxes payable		79		35	
Other liabilities		299		25	
Accrued expenses		4,995		595	
			85,220		**206,699**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**8,435,546**		**8,773,229**

Profit and loss account for the year ended 31 December 2020

	Note	2020		2019	
		EUR '000	EUR '000	EUR '000	EUR '000
Operating income					
Revenues	6.1	74,906		98,085	
			74,906		**98,085**
Operating charges					
External charges	6.2	78,285		102,819	
Personnel expenses	6.3	261		228	
Additions to provisions	5.5	25		747	
			(78,571)		**(103,794)**
Operating result			**(3,665)**		**(5,709)**
Financial income and expenses					
Interest income and similar proceeds	6.4	569		753	
Interest expenses and similar charges	6.5	(76,894)		(66,352)	
Other financial result	6.6	161,333		(111,328)	
			85,008		**(176,927)**
Result before taxation			**81,343**		**(182,636)**
Taxes	6.7		-		-
Result from investments	6.8		303,817		1,133,669
Net result after taxation			**385,160**		**951,033**

Notes to the balance sheet and profit and loss account

1 General

1.1 General

Lundin Energy Holding B.V. (the company) was incorporated on 7 March 2017. The company is a wholly owned subsidiary of Lundin Energy AB which is also the ultimate parent company of the Lundin Energy Group. The address and statutory seat of Lundin Energy AB is Hovslagargatan 5, Stockholm, Sweden.

The company's address and statutory seat is Amaliastraat 3-5, The Hague, the Netherlands and registered at the chamber of commerce under number 68246226.

1.2 Activities

The activities of Lundin Energy Holding B.V. are amongst others to incorporate, to participate, to manage, to finance and to supervise businesses and companies.

1.3 Basis for preparation

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the DAS's for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet and profit and loss account include references to the notes.

1.4 Implications of COVID-19 on our business

The COVID-19 crisis, its economic impact and the oil price collapse led to a challenging market backdrop during 2020. The Group has maintained a proactive approach in safeguarding the wellbeing of its employees and contractors and ensuring the virus has minimal impact on its operations. To date there have been no disruptions to production due to the COVID-19 situation and while certain project activities have been affected, the disruptions have been successfully managed to avoid any negative impact on the production outlook for Lundin Energy Norway AS, the company's operational subsidiary.

Lundin Energy Norway AS has high quality, low cost assets, which are resilient in a low oil price environment. Nevertheless, steps were taken during 2020 to defer activity and reduce spend, where it did not impact safety, asset integrity or production, in order to further strengthen the financial resilience of the Group. Total expenditure reductions and deferrals in 2020 were over MUSD 360 from original guidance, including capital expenditures, operating costs and G&A.

The company also took the prudent measure during 2020 of securing further credit commitments of USD 340 million through an unsecured corporate facility in April 2020. This facility was cancelled in December 2020 following the successful refinancing.

1.5 Comparison with previous year

The principles of valuation and determination of the result remained unchanged compared to the previous year.

1.6 Related-party transactions

Lundin Energy AB can be classified as related party as a result of the fact that this company can exercise decisive control over Lundin Energy Holding B.V. All other group companies can also be classified as related party as Lundin Energy Holding B.V. is the central holding and financing company of the Lundin Energy Group. All directors of the company are also classified as related party.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required to provide the true and fair view.

1.7 Functional currency

The functional currency of the company's operations is the Euro and it has therefore been decided that the company will draw up its financial statements in Euro.

1.8 Consolidation

The company has made use of the consolidation exemption in article 408, paragraph 1, book 2 of the Dutch Civil Code. The consolidated accounts of Lundin Energy AB for the year ended 31 December 2020 are filed at the Commercial Registry in The Hague, the Netherlands.

1.9 Cash flow statement

In conformity with the exemption provisions of the Guidelines for Annual Reporting in the Netherlands, a cash flow statement is not presented. The company's cash flow is included in the consolidated statement of cash flow of the parent company that can be find in the consolidated accounts of Lundin Energy AB that are filed at the Commercial Registry in the Hague, the Netherlands.

1.10 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. If necessary for the purpose of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Accounting policies for the balance sheet

2.1 Financial fixed assets

As the company acts as a holding company in an international group, and makes use of the consolidation exemption as per Article 408 of the Dutch Civil Code, the investments in subsidiary companies are valued at cost or lower fair value.

Receivables included in financial fixed assets are recognised initially at fair value and subsequently measured at amortised cost less provisions where necessary.

At each balance sheet date the company assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or when impairment testing for an asset is required, the company determines the realisable value of the asset. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying value of an asset exceeds its realisable value. The realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

If it is established that a previously recognised impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined had no asset impairment been recognised.

2.2 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less, if considered necessary, a provision for possibly uncollectable accounts. When determining the initial valuation of long-term receivables from group companies, the fair value calculation is determined by applying a group interest rate rather than a discount rate on individual loans, because these loans are issued in a group context whereby risks are managed on a group level.

2.3 Cash and banks

Cash in foreign currencies is converted to EUR at exchange rates prevailing at balance sheet date. Cash and banks are stated at face value.

2.4 Provisions

General

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, the settlement of which is likely to require an outflow of resources whose extent can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations as at the balance sheet date. Provisions are stated at the present value of the expenditure expected to be required to settle the obligations. If the expenditure to settle obligations is expected to be recovered from third parties, the recovery is carried as an asset on the balance sheet if it is likely to be received upon settlement of the obligation.

2.5 *Long-term liabilities*

Long-term liabilities are recognised initially at fair value. Borrowings are subsequently stated at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

2.6 *Current liabilities*

Current liabilities are initially recognised at fair value and are subsequently stated at amortised cost.

2.7 *Foreign currencies*

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Balance sheet items relating to assets and liabilities denominated in currencies other than the euro are translated at the rate of exchange prevailing on balance sheet date. The resulting exchange rate differences are credited or charged to the profit and loss account.

Non-monetary assets acquired in a currency other than the euro and which are valued at cost are translated at the rate of exchange on the transaction date.

At year end, the exchange rate for US dollar to EUR amounted to 0.8149 (2019: 0.8902) and the exchange rate for Norwegian Kroner to EUR amounted to 0.0955 (2019: 0.1014).

2.8 *Financial instruments*

Derivatives, of which the underlying object is listed on a stock exchange, are stated at fair value. All other on balance financial instruments are carried at cost or lower fair value. The company uses cost price hedge accounting for its interest rate hedge contracts intended to hedge the interest rate on part of the loan balance under the USD 5.0 billion credit facility. Where appropriate, the gain or loss relating to the ineffective portion of the change in value of hedge contracts is recognised in the profit and loss account within finance costs.

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

- if the hedged item is recognised at cost in the balance sheet, the derivative instrument is also stated at cost;
- as long as the hedged item is not yet recognised in the balance sheet, the hedging instrument is not remeasured;
- if the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate at the balance sheet date.

The company shall discontinue prospectively the cost price hedge accounting if:

- the hedging instrument expires or is sold, terminated or exercised;
- the hedge no longer meets the criteria for hedge accounting.

Forward exchange contracts intended for future purchases in Norwegian Kroner and sales in US dollars for which no cost price hedging is applied, are valued at cost or lower fair value with the difference directly recognised in the profit and loss account in other financial result.

3 Accounting policies for the profit and loss account

3.1 General

Profit or loss is determined as the difference between the realisable value of the services rendered and the costs and other charges for the year. Gains or losses on transactions are recognised in the year in which they are realised; losses and costs are taken as soon as they are foreseeable.

Income includes the total amounts received and receivable.

Expenses include the total amounts paid and payable as well as:

- Additions to provisions;
- Net financial result.

3.2 Revenue recognition

Interest income
Interest income from non-quasi equity loans are classified as revenue. The associated interest expenses are included in external charges. Interest income and expense is recognised on a time-weighted basis, taking into account the effective interest rate of the assets and liabilities concerned.

Commitment fee income
Commitment fee income from non-quasi equity loans is received for committed amounts under an intragroup loan agreement. Commitment fee income is recognised on an accrual basis in accordance with the relevant committed amount and the actual loan provided.

3.3 External charges

External charges represent the direct and indirect expenses attributable to revenue and other external charges that are attributable to cost of sales.

3.4 Employee benefits

Salaries, wages and social security contributions are taken to the income statement based on the terms of employment, where they are due to employees. The company's pension obligation consists of a defined contribution plan with costs being recognised on incurrence.

3.5 Financial income and expense

Interest income and expenses are recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned.

Interest income from quasi equity loans and the associated interest expenses are reported as financial income and expense.

3.6 *Exchange differences*

Exchange differences arising upon the settlement or conversion of monetary items are recognised in the profit and loss account in the period that they arise.

Income and expenses in other currencies than the euros are converted into euro at the rate of settlement.

The average exchange rate used in 2020 for US dollar to EUR amounted to 0.8762 (2019: 0.8932) and the average exchange rate used in 2020 for Norwegian Kroner to EUR amounted to 0.0932 (2019: 0.1015).

3.7 *Taxation*

Tax on result is calculated by applying the current rate to the result for the financial year in the profit and loss account, taking into account tax losses carry-forward, tax exempt profit elements and after inclusion of non-deductible costs.

The taxable result for corporate income tax of the companies included in the fiscal unity is added to the result of Lundin Energy Holding B.V. as the parent company of the fiscal unity. The tax charge of this fiscal unity is fully accounted for in Lundin Energy Holding B.V and is not settled with the other companies within the fiscal unity.

3.8 *Result from investments*

Dividends received from subsidiaries not carried at net asset value are recognised as soon as the company acquires the right to them.

4 Risks and uncertainties

As the central holding and financing company of the Lundin Energy Group, Lundin Energy Holding B.V. is exposed to financial and external risks such as fluctuations in currency rates, interest rates, oil price, as well as credit financing. The company controls these risks, directly or within the Group, through sound management practice and the use of generally accepted financial instruments. Financial instruments are solely used for the purpose of minimising risks in the company's business. Financial risks are considered incorporating the effects for the Group as a whole.

Currency risk

In case of currency risk, the company will consider setting the rate of exchange for known costs and financing needs in advance so that future cost and financing levels can be forecasted with a reasonable degree of certainty. The company will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge. The company entered into currency hedging contracts fixing the rate of exchange from USD into NOK to meet future NOK requirements by Lundin Energy Norway AS. As per 31 December 2020, the company has outstanding currency rate hedges for 2021 - 2024 to buy NOK 6,592.6 million and to sell USD 797.1 million that gives an average contractual exchange rate of NOK 8.27 : USD 1.

Interest rate risk

The company is exposed to interest rate risk through the credit facility and its policy is to assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the company, then the company may choose to enter into an interest hedge. As per 31 December 2020, the company has outstanding interest rate hedge contracts as follows:

Borrowing in million USD	Fixing of floating LIBOR rate per annum	Settlement period
3,100	2.28%	1 Jan 2021 - 31 Dec 2021
3,200	2.20%	1 Jan 2022 - 31 Dec 2022
2,700	1.38%	1 Jan 2023 - 31 Dec 2023
2,200	1.47%	1 Jan 2024 - 31 Dec 2024
1,400	0.71%	1 Jan 2025 - 31 Dec 2025
1,100	0.81%	1 Jan 2026 - 31 Dec 2026

Oil price risk

Price of oil is affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, pandemics, economic conditions, political instability or conflicts or actions by major oil exporting countries. Price fluctuations can affect the company's financial position as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. The company's policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances, the company will assess the benefits of forward hedging monthly sales contracts so that future cash flows can be forecasted with a reasonable degree of certainty. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge. During 2020 no oil price hedging contracts were entered into.

Asset management and cost control

Development projects and production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect the company's cash flow levels to varying degrees as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. Effective procurement and cost control management processes are essential in ensuring that reasonable cost levels are achieved relative to business plans. All development projects must pass through the Lundin Energy value process that requires approval from the Investment Committee, and from the Board for significant investment decisions. In addition, government organisations, partners and third party groups provide independent oversight.

Credit risk

The company's policy is to limit risks by limiting the counter parties to major banks.

Liquidity risk

In December 2020, the company entered into a five-year corporate facility of USD 5.0 billion with the facility being a combination of a five year USD 1.5 billion revolving facility and USD 3.5 billion term loans, split across two, three, four and five year maturities. With the new lending facility in place and the sound cash flow generated by the Group, the company is in a strong financial position. It is expected that the Group's ongoing development and exploration and appraisal expenditure requirements will be funded by the Group's cash flow and credit facility.

Changes to laws and regulations

The company's subsidiaries operate in various countries, mainly in Norway. Changes to laws and regulations within these countries may lead to negative consequences such as, but not limited to, the expropriation of property, cancellation of or modification of contract rights, and uncertainty in taxation. These changes might affect the company's financial position. The company reviews its portfolio of assets in relation to its financial performance on a regular basis. The company strives to ensure comprehensive interpretation and compliance with regulations that may impact the business.

On 19th June 2020, certain temporary changes in the Norwegian Petroleum Tax Law were enacted. The temporary changes allow investments incurred in 2020 and 2021 to be fully deducted against the Special Petroleum Tax (SPT) in the year of investment, compared to a six year linear depreciation for the ordinary tax regime. There is a further deduction available against the SPT in the form of an uplift. For the years 2020 and 2021, the uplift has been changed to 24 percent of the investment incurred in the year and is fully deductible in the year the investment is incurred, versus the previous uplift treatment which stipulated that the investment incurred during the year qualified for an uplift of 5.2 percent annually over four years (i.e. 20.8 percent uplift). The temporary changes in the Petroleum Tax Law also apply for Plan for Development and Operations submitted within 2022. These tax rules changes reduced the current tax charge for the years 2020 and 2021 of Lundin Energy Norway AS, the major subsidiary of the company, with the cash flow impact spread over the period 2020 to 2022, due to the phasing of the tax instalments in Norway.

COVID-19

As explained in paragraph 1.4 of the annual accounts, the economic impact of COVID-19 and the oil price collapse during 2020 led to a challenging market backdrop. The main risks for the company regarding COVID-19 are:

- Revenues and profitability: as the central holding and financing company of the Group, the company's operating income and dividends are mainly received from its wholly owned subsidiary Lundin Energy Norway AS. The Group has maintained a proactive approach in safeguarding the wellbeing of its employees and contractors and ensuring the virus has minimal impact on its operations. To date there have been no disruptions to production due to the COVID-19 situation and while certain project activities have been affected, the disruptions have been successfully managed to avoid any negative impact on the production outlook for Lundin Energy Norway AS, the company's operational subsidiary.

- Financing and liquidity: as the central holding and financing company of the Group, the company extracts the external financing for the Group and provides liquidity to its wholly owned subsidiaries. The main operating entity within the Group is its wholly owned subsidiary Lundin Energy Norway AS with the shares of Lundin Energy Norway AS being pledged in relation to the credit facility entered into by the company. Lundin Energy Norway AS has high quality, low cost assets, which are resilient to a low oil price environment. Nevertheless, steps were taken during 2020 to defer activity and reduce spend, where it did not impact safety, asset integrity or production, in order to further strengthen the financial resilience of the Group. Total expenditure reductions and deferrals in 2020 were over MUSD 360 from original guidance, including capital expenditures, operating costs and G&A. The company also took the prudent measure during 2020 of securing further credit commitments of USD 340 million through an unsecured corporate facility in April 2020. This facility was cancelled in December 2020 following the successful refinancing by the company.

5 Notes to the balance sheet

5.1 *Financial fixed assets*

Shares in subsidiaries

The movement in the shares in subsidiaries can be specified as follows:

	2020	2019
	EUR '000	EUR '000
1 January	6,672,108	6,672,108
Incorporation	-	0
Contributions	3,955	-
Impairments	(1,049)	-
31 December	6,675,014	6,672,108

The shares of the subsidiary company Lundin Energy Norway AS are pledged in relation to the credit facility entered into by the company.

During 2020, the company made a capital contribution into the capital of a subsidiary company by converting an existing loan into equity. This loan was already partly provided for when contributed and the provision has been reclassified accordingly and netted against the contribution.

In January 2020, the company completed a transaction with OX2 AB (OX2) to acquire a 100 percent interest in the Metsälamminkangas (MLK) wind farm project, in mid Finland. On the same day of concluding the transaction with OX2, the company concluded a transaction with its wholly owned subsidiary Lundin Energy Renewables Holding B.V. to transfer the 100 percent interest in MLK to Lundin Energy Renewables Holding B.V. As both transactions occurred on the same day and under the same terms and conditions, these transactions are not included in the table above.

During 2019, the company incorporated Lundin Energy Renewables Holding B.V.

As at 31 December 2020, the company has interests in the following subsidiary companies:

- Lundin Energy Norway AS, Oslo, Norway (100%)
- Lundin Energy Marketing S.A., Geneva, Switzerland (100%)
- Lundin Energy Renewables Holding B.V., The Hague (100%)
- Lundin Energy S.A., Geneva, Switzerland (100%)
- Lundin Energy Services B.V., The Hague (100%)
- Lundin Russia B.V., The Hague (100%)

As at 31 December 2020, the sum of impairments amounts to EUR 8,084,000.

Associated companies

In June 2020, the company completed a transaction with Sognekraft AS to acquire a 50 percent interest in the Leikanger hydropower project, in mid-west Norway. On the same day of concluding the transaction with Sognekraft, the company concluded a transaction with its wholly owned subsidiary Lundin Energy Renewables Holding B.V. to transfer the 50 percent interest in Leikanger to Lundin Energy Renewables Holding B.V. Both transactions occurred on the same day and under the same terms and conditions.

Loans to group companies

The movement in the loans to group companies can be specified as follows:

	2020	2019
	EUR '000	EUR '000
1 January	2,096,911	2,201,684
Additions	89,485	8,112
Repayments	(363,024)	(204,201)
Interest	51,224	80,325
Movement provision	-	(4,436)
Reclassification	(3,955)	-
Exchange rate differences	(113,813)	15,427
31 December	1,756,828	2,096,911

The loans are part of group intercompany loan agreements. The interest rate under these loan agreements is floating and was equal to the 3-months LIBOR, NIBOR or EURIBOR plus 1.25% to 2.50% per annum during 2020, with the reference rate deemed to be zero when being less than zero. The company did not receive any securities for these loans. The interest rates varied between 1.50% to 4.15% during the year (2019: 3.50% - 5.04%).

In December 2020, the company entered into a five-year corporate facility of USD 5.0 billion as mentioned in paragraph 5.6. In line with this corporate facility, the company entered into intragroup loan agreements with its 100% subsidiary companies Lundin Energy Norway AS and Lundin Energy Renewables Holding B.V., in which the company agreed to make available a portion of the corporate facility for the purpose of funding the ongoing operations in Norway and the construction of the renewable power projects. The portion of the external facility made available during the five-year period varies from year to year between 68% and 83%. The maturity date of the intragroup loan agreement with Lundin Energy Norway AS and Lundin Energy renewables Holding B.V. is December 2025.

5.2 Receivables

No receivables with maturities of more than one year are included under the current assets.

5.3 Cash and bank

All cash and bank balances are at the company's free disposal.

5.4 *Shareholders' equity*

Movements in shareholders' equity can be specified as follows:

	Issued share capital	Share premium reserve	Retained earnings	Total
	EUR '000	EUR '000	EUR '000	EUR '000
1 January 2019	0	5,547,819	260,908	5,808,727
Result for the year	-	-	951,033	951,033
Dividend distribution	-	(1,806,671)	-	(1,806,671)
31 December 2019	0	3,741,148	1,211,941	4,953.089
Result for the year	-	-	385,160	385,160
Dividend distribution	-	(259,266)	-	(259,266)
31 December 2020	0	3,481,882	1,597,101	5,078,983

Share capital

The issued share capital of the company amounts to EUR 100 and consists of 100 ordinary shares with a nominal value of EUR 1 each and was fully paid in.

Share premium reserve

On 31 March 2020, the company decided to make a dividend distribution amounting to USD 284,051,304, to be paid in quarterly instalments of USD 71,012,826 and with each instalment to be converted to Swedish Krona (SEK) based on the USD to SEK exchange rate published by Sweden´s central bank (Riksbanken) four business days prior to each payment date. The quarterly instalments were paid on 2 April 2020, 3 July 2020, 2 October 2020 and 4 January 2021. The dividend distribution equalled EUR 259,265,520.

Proposed allocation of the result

Management proposes to add the profit for the year 2020 amounting to EUR 385,160,000 to the retained earnings and proposes that the interim dividend distributions made during the year amounting to EUR 259,265,520 are hereby final at the charge of the share premium reserve.

This proposal has been reflected in the balance sheet.

5.5 *Provisions*

Other

This item relates to a provision in relation to a Long-term incentive plan (LTIP). The LTIP consists of an annual grant of units that will be converted into a cash payment at vesting. The cash payment will be determined at the end of each vesting period by multiplying the number of units by the share price of the shares of Lundin Energy AB. The UBP has a three year duration whereby the initial grant of units vests equally in three tranches: one third after one year; one third after two years; and the final third after three years. Part of the provision as per end 2020 will have a remaining term of less than one year.

5.6 *Long-term liabilities*

Credit facility

Movements in credit facility are specified as follows:

	Outstanding credit facility	**Capitalized financing fees**	**Total**
	EUR '000	EUR '000	EUR '000
1 January 2019	3,026,201	(1,112)	3,025,089
Additions	554,781	-	554,781
Amortization	-	356	356
Reclassification	(81,894)	-	(81,894)
Exchange result	61,532	-	61,532
31 December 2019	3,560,620	(756)	3,559,864
Net additions corporate credit facility	3,261,212	-	3,261,212
Net repayments reserve-based lending facility	(3,356,509)	-	(3,356,509)
Additions	-	(8,256)	(8,256)
Amortization	-	843	843
Reclassification	81,894	-	81,894
Exchange result	(292,389)	-	(292,389)
31 December 2020	3,254,828	(8,169)	3,246,659

Outstanding credit facility

In December 2020, the company entered into a five-year corporate facility of USD 5.0 billion with the facility being a combination of a five year USD 1.5 billion revolving facility and USD 3.5 billion term loans, split across two, three, four and five year maturities. The facility has a weighted average interest rate margin over LIBOR of 1.60%, which is 0.90% lower compared to the previous financing, with part of the floating LIBOR hedged as mentioned in paragraph 5.10. The facility also includes the option to bring in additional commitments in an accordion option of up to USD 1.0 billion. In line with the Lundin Energy Group best in class environmental profile, ESG KPIs on carbon intensity and renewable electricity generation have been incorporated into the margin structure, providing further financial incentives for the delivery of the decarbonisation strategy and the 2025 carbon neutrality target.

The structure of the facility is such, that it is compatible with unsecured bond issuances through the debt capital markets at pari passu terms, which could be utilized at an appropriate time to diversify the capital structure. The facility is secured by a pledge over the shares of Lundin Energy Norway AS and some assets of the pledged company. The size of the facility will reduce from USD 5.0 billion to USD 4.5 billion as per 11 December 2022, to USD 3.5 billion as per 11 December 2023 and to USD 2.5 billion as per 11 December 2024 with a final maturity on 11 December 2025.

The facility agreement provides that an 'event of default' occurs where the Group does not comply with certain material covenants or where certain events occur as specified in the agreement, as are customary in financing agreements of this size and nature. Two of the main covenants are the net debt to EBITDAX and the EBITDAX to financial charges testing the ability to repay debt. If such an event of default occurs and subject to any applicable cure periods, the external lenders may take certain specified actions to enforce their security, including accelerating the repayment of outstanding amounts under the credit facility.

As part of the refinancing in December 2020, the company repaid the outstanding amount under the USD 5.0 billion reserve-based lending facility that had an interest rate margin over LIBOR of 2.50% at refinancing date. This facility had a final maturity date in December 2022 and the net repayments under this facility as included in the movement table above, include the repayment of the short-term portion of this facility.

The company entered into a USD 340 million unsecured corporate facility during the year. This facility was cancelled in December 2020 following the successful refinancing.

The total interest expense for the year amounted to EUR 143.9 million which includes a loss on the interest rate hedges of EUR 39.0 million. A 100 basis point shift in the interest rate would have resulted in a change in the total interest expense for the year of EUR 6.6 million, taking into account the interest rate hedges for 2020.

Capitalized financing fees

Capitalized financing fees related to the company's share of the fees incurred for establishing the five-year corporate facility. The capitalized financing fees are amortised over the remaining period of the facility. Based on the intragroup loan agreement with the 100% subsidiary companies Lundin Energy Norway AS and Lundin Energy Renewables Holding B.V., 73% of the fees incurred were charged to these companies with these recharges being netted against the capitalized financing fees.

Loans from group companies

The movement in the loans from group companies can be specified as follows:

	2020	**2019**
	EUR '000	EUR '000
1 January	4,158	4,100
Additions	29	1,000
Repayments	(1,312)	(967)
Interest	144	127
Exchange rate differences	(428)	(102)
31 December	2,591	4,158

The loans are part of group intercompany loan agreements and shall remain in effect for an indefinite period. The interest rate under these loan agreements is floating and was equal to the 3-months LIBOR plus 1.65% to 2.50% per annum during 2020, with the reference rate deemed to be zero when being less than zero. The company did not grant any security for these loans. The interest rates varied between 1.88% to 4.15% during the year (2019: 4.33% - 5.04%).

Derivative instruments

The movement in the long-term derivative instruments liabilities can be specified as follows:

	2020	2019
	EUR '000	EUR '000
1 January	49,378	49,603
Fair value movements	(4,103)	19,263
Reclassification	(23,218)	(19,488)
31 December	22,057	49,378

The derivative instruments relate to forward exchange contracts with a maturity of more than one year valued at cost or lower fair value intended to hedge future purchases in Norwegian Kroner and sales in US dollars as mentioned in paragraph 5.10.

5.7 *Current liabilities*

No payables with maturities of more than one year are included under the current liabilities. Apart from the short-term portion of the reserve-based lending facility in the comparative period, these liabilities are non interest-bearing.

Payables to group companies

Payables to group companies mainly relates to a liability to the parent company Lundin Energy AB and includes the fourth quarterly instalment of the dividend distribution approved on 31 March 2020 as mentioned in paragraph 5.4 that was paid on 4 January 2021.

Derivative instruments

The derivative instruments relate to forward exchange contracts with a maturity of less than one year valued at cost or lower fair value intended to hedge future purchases in Norwegian Kroner and sales in US dollars as mentioned in paragraph 5.10

5.8 *Contingent assets*

The company as parent of the fiscal unit for corporate income tax purposes did not give any value to the tax losses carried forward due to uncertainty about the probability that these losses can be offset by future taxable profits. Tax losses carried forward amount to approximately EUR 54 million.

5.9 *Contingent liabilities*

The company forms part of a fiscal unit for corporate income tax and value added tax purposes with its Dutch subsidiaries. As a consequence, the company is jointly and severally liable for corporate income tax and value added tax liabilities of the fiscal unit.

5.10 *Financial instruments*

Interest rate hedge contracts

The company uses cost price hedge accounting for its interest rate hedge contracts intended to hedge the interest rate on part of the loan balance under the USD 5.0 billion credit facility. Consequently these interest rate hedge contracts are valued at cost being nil.

The fair value of the interest rate hedge contracts as per balance sheet date, based on the forward curves as per balance sheet date, amounts to EUR 151.6 million negative.

As per 31 December 2020, the company has outstanding interest rate hedge contracts as follows:

Borrowing in million USD	Fixing of floating LIBOR rate per annum	Settlement period
3,100	2.28%	1 Jan 2021 - 31 Dec 2021
3,200	2.20%	1 Jan 2022 - 31 Dec 2022
2,700	1.38%	1 Jan 2023 - 31 Dec 2023
2,200	1.47%	1 Jan 2024 - 31 Dec 2024
1,400	0.71%	1 Jan 2025 - 31 Dec 2025
1,100	0.81%	1 Jan 2026 - 31 Dec 2026

Forward exchange contracts

The company does not use cost price hedge accounting for its forward exchange contracts intended for future purchases in Norwegian Kroner and sales in US dollars. Consequently these forward exchange contracts are valued at cost or lower fair value with the difference being directly recognised in the profit and loss account in other financial result. The forward exchange contracts are valued at EUR 45.3 million negative.

The fair value of the forward exchange contracts as per balance sheet date amounts to EUR 24.7 million negative as some outstanding forward exchange contracts have a positive fair value which is not recognised yet in the profit and loss account.

As per 31 December 2020, the company has outstanding forward exchange contracts as follows:

Buy	Sell	Average contractual exchange rate	Settlement period
MNOK 4,332.6	MUSD 516.5	NOK 8.39:USD 1	1 Jan 2021 - 31 Dec 2021
MNOK 1,430.0	MUSD 183.4	NOK 7.80:USD 1	1 Jan 2022 - 31 Dec 2022
MNOK 530.0	MUSD 64.2	NOK 8.26:USD 1	1 Jan 2023 - 31 Dec 2023
MNOK 300.0	MUSD 33.0	NOK 9.09:USD 1	1 Jan 2024 - 31 Dec 2024

6 Notes to the profit and loss account

6.1 Revenues

	2020	2019
	EUR '000	EUR '000
Interest income	50,687	79,874
Commitment fee income	24,219	18,211
	74,906	98,085

The company is the central holding and financing company of the Lundin Energy Group.

6.2 External charges

This item can be specified as follows:	2020	2019
	EUR '000	EUR '000
Interest expenses facility	49,657	100,134
Result on interest rate hedge contracts	18,494	(7,732)
Commitment fee expenses facility	9,590	9,698
Other external charges	544	719
	78,285	102,819

The interest expenses facility relates to the interest on the outstanding balance under the credit facility that is associated with the operating income. The result on interest rate hedge contracts relates to the result on interest rate hedge contracts associated with the operating income.

Included in external charges is an amount of EUR 50,000 (2019: EUR 38,750) in relation to directors' remuneration.

6.3 Personnel expenses

The company's pension obligation consists of defined contribution plans. The average number of employees employed by the company during 2020 on a full-time basis was 2 (2019: 2), both in the Netherlands.

6.4 *Interest income and similar proceeds*

This item can be specified as follows:

	2020	2019
	EUR '000	EUR '000
Interest group companies	537	451
Other interest income and similar proceeds	32	302
	569	753

6.5 *Interest expenses and similar charges*

This item can be specified as follows:

	2020	2019
	EUR '000	EUR '000
Interest expenses facility	55,282	58,432
Result on interest rate hedge contracts	20,486	-
Amortization financing fees	843	356
Interest group companies	144	127
Additions to provisions for loans to group companies	-	4,436
Bridge facility fees	-	2,932
Other interest expenses and similar charges	139	69
	76,894	66,352

The interest expenses facility relates to the interest on the outstanding balance under the credit facility that is not associated with the operating income. The result on interest rate hedge contracts relates to the result on interest rate hedge contracts that is not associated with the operating income.

During 2019, the company entered into a short-term USD 500 million bridge facility that was temporary in place from late July 2019 to the end of August 2019. The bridge facility was fully repaid at the end of August 2019.

6.6 *Other financial result*

Other financial result can be specified as follows:	**2020**	**2019**
	EUR '000	EUR '000
Exchange differences	190,246	(55,197)
Result on derivative instruments	(28,913)	(56,131)
	161,333	(111,328)

Exchange rate variations result primarily from fluctuations in the value of the EUR currency against the US dollar and Norwegian Kroner. Result on derivative instruments relates to the forward exchange contracts for which no hedge accounting is applied.

6.7 *Taxes*

The legal tax rate for corporate income tax amounts to 25% with the effective tax rate amounting to nil what is mainly caused by the use of the participation exemption and by the fact that the financial result is almost entirely excluded for corporate income tax purposes.

6.8 *Result from investments*

This item can be specified as follows:	**2020**	**2019**
	EUR '000	EUR '000
Received dividend	304,866	1,133,669
Movement impairment of subsidiary companies	(1,049)	-
	303,817	1,133,669

Audit Fees

Based on article 2:382a sub 3 of the Dutch Civil Code, the company applies for exemption of the Independent auditor's fees disclosure. The audit fees of the company are included in the consolidated financial statements of Lundin Energy AB.

Subsequent events

Subsequent to year end, the company decided to make a dividend distribution amounting to USD 511,832,647.80, to be paid in quarterly instalments of USD 127,958,161.95 and with each instalment to be converted to Swedish Krona (SEK) based on the USD to SEK exchange rate published by Sweden´s central bank (Riksbanken) four business days prior to each payment date. The quarterly instalments will be paid on 1 April 2021, 2 July 2021, 4 October 2021 and 5 January 2022. The dividend distribution is equal to EUR 435,936,162.

The Hague, 19 May 2021

N.J.R. Walker (director since 1 January 2021)	A.J.W. Harber	G.W.M. de Ruiter

A.J.M. Schneiter resigned as director of the company on 1 January 2021.

Other information

Profit appropriation according to the Articles of Association

According to article 19 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders.

Article 19 of the Articles of Association reads as follows:
19.1 The allocation of profits accrued in a financial year shall be determined by the Shareholders' Body. If the Shareholders' Body does not adopt a resolution regarding the allocation of the profits prior to or at latest immediately after the adoption of the annual accounts, the profits will be reserved.
19.2 Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.
19.3 The Shareholders´ Body may resolve to make interim distributions on Shares and/or to make distributions on Shares at the expense of any reserve of the company. In addition, the Management Board may decide to make interim distributions on Shares.
19.4 Distributions on Shares shall be made payable immediately after the resolution to make the distribution, unless another date of payment has been determined in the resolution.
19.5 Distributions on Shares may be made only up to an amount which does not exceed the amount of the Distributable Equity.
19.6 In calculating the amount of any distribution on Shares, Shares held by the company shall be disregarded.
19.7 A resolution pertaining to distribution has no consequences until the Management Board has given its approval. The Management Board may withhold its approval only if it knows or reasonably ought to foresee that the company will not be able to continue to pay its immediately payable debts after the distribution.

Independent auditor's report

The independent auditor's report is included on the next page.

Independent auditor's report

To: the shareholder and the directors of Lundin Energy Holding B.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Lundin Energy Holding B.V., based in The Hague. In our opinion, the accompanying financial statements give a true and fair view of the financial position of Lundin Energy Holding B.V. as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2020
- The profit and loss account for 2020
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Lundin Energy Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of

- The annual report of the directors
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the annual report of the directors t in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Rotterdam, 19 May 2021

Ernst & Young Accountants LLP

signed by O.A.M. Eberharter

Annual accounts 2019

Lundin Energy Holding B.V.

(previously named Lundin Petroleum Holding B.V.)

The Hague

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Annual report of the directors

Annual report of the directors

The company's management has the pleasure to present the company's annual accounts for the year ended 31 December 2019 and to report a summary of the activities of the company.

Operations

The company acts as the central holding and financing company of the Lundin Energy Group. The company changed its name to Lundin Energy Holding B.V. on 1 April 2020.

In October 2019, the company signed an agreement with Sognekraft AS to acquire a 50 percent non-operated interest in the Leikanger hydropower project, in mid-west Norway. Leikanger will produce around 208 GWh per annum gross, once it is fully operational in 2021, from a river run off hydropower generation scheme. The completion of the transaction remains subject to customary closing conditions, expected to occur in the second quarter of 2020. On completion of the transaction, it is the company's intention to transfer the 50 percent interest in the Leikanger hydropower project to its wholly owned subsidiary Lundin Energy Renewables Holding B.V.

Subsequent to year end in January 2020, the company concluded a transaction with OX2 AB (OX2) to acquire a 100 percent interest in the Metsälamminkangas (MLK) wind farm project, in mid Finland. MLK will produce around 400 GWh per annum gross, once it is fully operational in 2022, from 24 onshore wind turbines. The MLK operations will be managed by OX2. On the same day of concluding the transaction with OX2, the company concluded a transaction with its wholly owned subsidiary Lundin Energy Renewables Holding B.V. to transfer the 100 percent interest in the Metsälamminkangas (MLK) wind farm project to Lundin Energy Renewables Holding B.V.

The outstanding balance under the USD 5 billion committed seven year reserve-based lending facility amounted to USD 4.092 billion (EUR 3.643 billion) as per 31 December 2019 compared to USD 3.465 billion (EUR 3.026 billion) as per 31 December 2018. The increase was mainly caused by dividend payments during the year to Lundin Energy AB partly offset by dividend received during the year from Lundin Energy Norway AS. On 5 October 2019, production commenced at Johan Sverdrup Phase 1 which marked a pivotal milestone for the Lundin Energy Group and which is expected to result in a substantial increase in free cash flow generation by Lundin Energy Norway AS going forward.

Financial data

Operating income amounted to EUR 98.1 million (2018: EUR 105.9 million) and related to interest and commitment fee income under the intragroup credit facility with Lundin Energy Norway AS. The operating result for the year amounted to a loss of EUR 5.7 million (2018: loss of EUR 5.9 million).

The financial result for the year amounted to a loss of EUR 176.9 million (2018: loss of EUR 244.8 million) and mainly related to exchange result losses amounting to EUR 55.2 million (2018: EUR 157.7 million) as a result of fluctuations in the value of the EUR currency against the US dollar and Norwegian Kroner and losses on forward exchange contracts amounting to EUR 56.1 million (2018: EUR 46.2 million) as a result of fluctuations in the value of the US dollar currency against the Norwegian Kroner.

Result from investments amounted to a gain of EUR 1,133.7 million (2018: EUR 383.6 million) and related entirely to received dividend (2018: EUR 229.0 million). The comparative period also included the reversal of an impairment in relation to the investment in Lundin Energy Norway AS amounting to EUR 151.7 million. The impairment was reversed as a result of the strengthening of the US dollar compared to the EUR during 2018 with Lundin Energy Norway AS generating its cash flows in US dollar in combination with increased reserves in Norway.

The available liquidity headroom under the USD 5 billion credit facility amounted to USD 908 million (EUR 808 million) as per the end of 2019.

Risks and uncertainties

As the central holding and financing company of the Lundin Energy Group, Lundin Energy Holding B.V. is exposed to financial and external risks such as fluctuations in currency rates, interest rates, oil price, as well as credit financing. The company controls these risks, directly or within the Lundin Energy Group, through sound management practice and the use of generally accepted financial instruments. Financial instruments are solely used for the purpose of minimising risks in the company's business. Financial risks are considered incorporating the effects for the Lundin Energy Group as a whole.

Currency risk

In case of currency risk, the company will consider setting the rate of exchange for known costs and financing needs in advance so that future cost and financing levels can be forecasted with a reasonable degree of certainty. The company will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge. The company entered into currency hedging contracts fixing the rate of exchange from USD into NOK to meet future NOK requirements by Lundin Energy Norway AS. As per 31 December 2019, the company has outstanding currency rate hedges for 2020 - 2024 to buy NOK 12,034.0 million and to sell USD 1,433.3 million that gives an average contractual exchange rate of NOK 8.40 : USD 1.

Interest rate risk

The company is exposed to interest rate risk through the credit facility and its policy is to assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the company, then the company may choose to enter into an interest hedge. As per 31 December 2019, the company has outstanding interest rate hedge contracts as follows:

Borrowing in million USD	Fixing of floating LIBOR rate per annum	Settlement period
3,300	1.96%	1 Jan 2020 - 31 Dec 2020
3,100	2.28%	1 Jan 2021 - 31 Dec 2021
2,900	2.41%	1 Jan 2022 - 31 Dec 2022
2,000	1.75%	1 Jan 2023 - 31 Dec 2023
1,500	1.91%	1 Jan 2024 - 31 Dec 2024

Oil price risk

Price of oil is affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, pandemics, economic conditions, political instability or conflicts or actions by major oil exporting countries. Price fluctuations can affect the company's financial position as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. The company's policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances, the company will assess the benefits of forward hedging monthly sales contracts so that future cash flows can be forecasted with a reasonable degree of certainty. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge. During 2019 no oil price hedging contracts were entered into.

Asset management and cost control

Development projects and production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect the company's cash flow levels to varying degrees as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. Effective procurement and cost control management processes are essential in ensuring that reasonable cost levels are achieved relative to business plans. All development projects must pass through the Lundin Energy value process that requires approval from the Investment Committee, and from the Board for significant investment decisions. In addition, government organisations, partners and third party groups provide independent oversight.

Credit risk

The company's policy is to limit risks by limiting the counter parties to major banks.

Liquidity risk

As part of the restructuring in 2017 within the Lundin Energy Group, the company entered into the USD 5 billion committed seven year reserve-based lending facility with a group of international banks with no reduction in committed facility size before mid 2020 and with a final maturity date of end 2022. On 5 October 2019, production commenced at Johan Sverdrup Phase 1 which marked a pivotal milestone for the Lundin Energy Group. With the lending facility in place and the sound cash flow generated by the group, the company is in a strong financial position. It is expected that the Group's ongoing development and exploration and appraisal expenditure requirements will be funded by the Group's cash flow and credit facility. Subsequent to year end in April 2020 and due to the current oil market uncertainty, the company took the prudent measure of securing further credit commitments of USD 340 million through an unsecured corporate facility with five banks.

Changes to laws and regulations

The company's subsidiaries operate in various countries, mainly in Norway. Changes to laws and regulations within these countries may lead to negative consequences such as, but not limited to, the expropriation of property, cancellation of or modification of contract rights, and uncertainty in taxation. These changes might affect the company's financial position. The company reviews its portfolio of assets in relation to its financial performance on a regular basis. The company strives to ensure comprehensive interpretation and compliance with regulations that may impact the business.

Coronavirus

As explained in paragraph 1.4 of the annual accounts, the coronavirus, its economic impact and the recent oil price collapse have provided an exceptionally challenging market backdrop. The main risks for the company that result from the current uncertain situation regarding the coronavirus are:

- Revenues and profitability: as the central holding and financing company of the Lundin Energy Group, the company's operating income and dividends are mainly received from its wholly owned subsidiary Lundin Energy Norway AS. The main focus of the Lundin Energy Group's response is on reducing the risk of the virus spreading in the operations and safeguarding the well-being of the employees and contractors, whilst at the same time minimising the potential impact on the business in Norway. Lundin Energy Norway AS is part of a coordinated industry response to the crisis in Norway and the authorities have introduced certain exceptional measures to help deal with the situation. Detailed contingency plans have been established, and are being implemented, to mitigate the risk. A key action is to reduce the risk of having coronavirus infected personnel offshore and so offshore sites have been down-manned while maintaining a minimum level of activity to allow production, and the most important project activities, to continue. To date there have been no disruptions to production due to the coronavirus situation. The activity deferrals will impact project schedules, but with the operational flexibility available within the business, this means there are no negative impacts to production guidance.

- Financing and liquidity: as the central holding and financing company of the Lundin Energy Group, the company extracts the external financing for the Lundin Energy Group and provides liquidity to its wholly owned subsidiaries. The main operating entity within the Lundin Energy Group is its wholly owned subsidiary Lundin Energy Norway AS with the shares of Lundin Energy Norway AS being pledged in relation to the credit facility entered into by the company. Lundin Energy Norway AS has high quality, low cost assets, which are resilient to a low oil price environment. Nevertheless, steps have been taken to defer activity and reduce spend, where it does not impact production, in order to further strengthen near term cash flow and liquidity of the Lundin Energy Group. Total expenditure reductions and deferrals amounting to over USD 300 million (including capital expenditures, operating costs and G&A) have been implemented for 2020, with further options available to defer or reduce expenditure should low oil prices persist. Subsequent to year end, in April 2020 and due to the current oil market uncertainty, the company took the prudent measure of securing further credit commitments of USD 340 million through an unsecured corporate facility with five banks.

Diversity

The Board of Directors have taken notice of the Act on Management and Supervision ('Wet Bestuur en Toezicht') that took effect on the 1st of January 2013. In 2019, the Board of Directors were not composed of at least 30 percent female members as set out in the Act on Management and Supervision. With regard to future nominations and appointments, the Board of Directors will take the gender diversity objectives into account as much as possible. The Board of Directors of the parent company Lundin Energy AB was however composed for 33 percent of female members.

Sustainable operations

The Lundin Energy Group develops oil and gas resources efficiently and responsibly for a sustainable and low carbon energy future. Ethical conduct and business success go hand in hand. Our business model rests on our commitment to carry out our activities in an efficient and responsible manner, taking into consideration the interests of our Company, employees, shareholders, other stakeholders and society at large.

Our sustainability work is an evolving journey, one which the Lundin Energy Group is committed to pursue because we believe it's the right thing to do. Since the Group's inception in 2001, we have been at the forefront of addressing key environmental, social and governance (ESG) issues. For example, in 2019 we issued a new Climate Strategy Statement and formalised our Decarbonisation Strategy, targeting carbon neutrality by 2030.

Since the Paris Climate Agreement in 2015, climate change has become central to the global agenda and to ours. Affordable, reliable energy is essential to economic development and prosperity, yet the world is confronted with the challenge of supplying sustainable energy. We acknowledge this, and seek to contribute to the transition towards a low carbon society, while also addressing the challenge of reaching an equitable energy balance.

The Lundin Energy Group produces oil and gas in Norway, a leading country in terms of ESG. We operate with one of the lowest carbon emissions intensity levels in the industry, at approximately a third of the world average. We strive for excellence and seek continuous improvements in everything we do, including reducing our carbon footprint. We actively push the frontiers of research and development, where our teams in Norway have a strong, proven skillset.

The Board of Directors of Lundin Energy AB approved the Decarbonisation Strategy (DCS) with the ambition to achieve carbon neutrality as an oil and gas exploration and production company by 2030. With a growing demand for oil and gas we recognise the challenges of climate change. By focusing our operations in Norway, a world leader in terms of industry regulations and carbon reduction efforts, as well as implementing best available technology on our production facilities, we actively seek to minimise our environmental footprint. Aiming to be one of the leading companies in our industry in terms of low carbon emissions, Lundin Energy has formalised a DCS. This confirms our continued focus on our core oil and gas activities, while also committing to find and support innovative ways to further reduce our exploration and production related CO2 emissions.

Over the course of 2019, we have taken a number of steps in furtherance of our DCS. The Lundin Energy Group has sanctioned the full electrification of the by Lundin Energy Norway AS operated Edvard Grieg field, which is expected to take place at the end of 2022, when additional power capacity is available for the Utsira High Area. With the full electrification of the Edvard Grieg platform by 2022, the carbon emissions intensity level for both Edvard Grieg and Johan Sverdrup, in which Lundin Energy Norway AS has a 20 percent working interest, will reach below 1 kg CO2 per barrel of oil produced. These record low levels of CO2 emissions make the fields two of the most carbon efficient offshore fields in the world. On a net equity basis, the Lundin Energy Group overall carbon footprint in 2019 was 5.4 kg CO2 per barrel of oil produced.

In addition, we have invested in a hydropower project in Norway and in a wind farm project in Finland to replace part of our net electricity usage from power from shore through renewable power generation. The projects will also provide a natural hedge to electricity price fluctuation. On an annual basis the Lundin Energy Group has also committed to offset our carbon emissions associated with all air travel, including helicopter transport, used in our operations with natural carbon capture.

With our DCS and carbon reduction initiatives in place, Lundin Energy continues to provide the world with the energy it requires for global economic and social prosperity, while addressing and reducing our environmental impact, a mission already set out in our first climate statement in 2007. You will find more information on the Decarbonisation Strategy and the steps we have taken to date in the Sustainability Report 2019, available on www.lundin-energy.com.

The Sustainability Report provides comprehensive information on our approach to managing key environmental, social and governance (ESG) issues within the industry. It outlines how we integrate this work into our business model to create long-term sustainable value for all stakeholders. The Sustainability Report conforms to the Global Reporting Initiative (GRI) standards and constitutes our disclosure on non-financial reporting required under Swedish law implementing the EU Directive 2014/95/EU. It also constitutes our Communication on Progress (COP) to the UN Global Compact.

Forecast

The company is the central holding and financing company of the Lundin Energy Group. The discoveries in recent years and current/foreseen developments of oil fields in Norway did have a major impact on the strategy of the Lundin Energy Group in general and has significantly increased the role and importance of the central holding and financing company of the Group. As the company´s investments in subsidiaries are in principle long term investments, no changes in the company´s holdings are expected for 2020.

As explained in paragraph 1.4 of the annual accounts, the coronavirus, its economic impact and the recent oil price collapse have provided an exceptionally challenging market backdrop. The Lundin Energy Group has taken steps to defer activity and reduce spend, where it does not impact production, in order to further strengthen near term cash flow and liquidity of the Lundin Energy Group. Total expenditure reductions and deferrals amounting to over USD 300 million (including capital expenditures, operating costs and G&A) have been implemented for 2020, with further options available to defer or reduce expenditure should low oil prices persist. Subsequent to year end, in April 2020 and due to the current oil market uncertainty, the company took the prudent measure of securing further credit commitments of USD 340 million through an unsecured corporate facility with five banks.

No changes are expected in 2020 in the number of employees employed by the company.

The Hague, 20 May 2020

A.J.M. Schneiter A.J.W. Harber G.W.M. de Ruiter

Annual accounts

Balance sheet as at 31 December 2019
(after proposed appropriation of result)

	Note	31 December 2019		31 December 2018	
ASSETS		EUR '000	EUR '000	EUR '000	EUR '000
Fixed assets					
Financial fixed assets	5.1				
Shares in subsidiaries		6,672,108		6,672,108	
Loans to group companies		2,096,911		2,201,684	
			8,769,019		**8,873,792**
Receivables	5.2				
Receivables from group companies		632		2,015	
Derivative instruments		-		15,221	
Other receivables		39		12,286	
			671		**29,522**
Cash and bank	5.3		**3,539**		**3,592**
TOTAL ASSETS			**8,773,229**		**8,906,906**

	Note	31 December 2019		31 December 2018	
LIABILITIES AND SHAREHOLDERS' EQUITY		EUR '000	EUR '000	EUR '000	EUR '000
Shareholders' equity	5.4				
Issued share capital		0		0	
Share premium reserve		3,741,148		5,547,819	
Retained earnings		1,211,941		260,908	
			4,953,089		**5,808,727**
Provisions	5.5				
Others		41		1,382	
			41		**1,382**
Long-term liabilities	5.6				
Credit facility		3,559,864		3,025,089	
Loans from group companies		4,158		4,100	
Derivative instruments		49,378		49,603	
			3,613,400		**3,078,792**
Current liabilities	5.7				
Credit facility		81,894		-	
Payables to group companies		104,662		3	
Derivative instruments		19,488		17,485	
Taxes payable		35		26	
Other liabilities		25		22	
Accrued expenses		595		469	
			206,699		**18,005**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**8,773,229**		**8,906,906**

Profit and loss account for the year ended 31 December 2019

	Note	2019		2018	
		EUR '000	EUR '000	EUR '000	EUR '000
Operating income					
Revenues	6.1	98,085		105,913	
			98,085		**105,913**
Operating charges					
External charges	6.2	102,819		109,301	
Personnel expenses	6.3	228		163	
Additions to provisions	5.5	747		2,311	
			(103,794)		**(111,775)**
Operating result			**(5,709)**		**(5,862)**
Financial income and expenses					
Interest income and similar proceeds	6.4	753		712	
Interest expenses and similar charges	6.5	(66,352)		(41,620)	
Other financial result	6.6	(111,328)		(203,876)	
			(176,927)		**(244,784)**
Result before taxation			**(182,636)**		**(250,646)**
Taxes	6.7		-		-
Result from investments	6.8		1,133,669		383,638
Net result after taxation			**951,033**		**132,992**

Notes to the balance sheet and profit and loss account

1 General

1.1 General

The company was incorporated on 7 March 2017. The company is a wholly owned subsidiary of Lundin Energy AB (previously named Lundin Petroleum AB) which is also the ultimate parent company of the Lundin Energy Group.

The company changed its name on 1 April 2020 into Lundin Energy Holding B.V. (previously named Lundin Petroleum Holding B.V.).

The company's address and statutory seat is Amaliastraat 3-5, The Hague, The Netherlands and registered at the chamber of commerce under number 68246226.

1.2 Activities

The activities of Lundin Energy Holding B.V. are amongst others to incorporate, to participate, to manage, to finance and to supervise businesses and companies.

1.3 Basis for preparation

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the DAS's for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet and profit and loss account include references to the notes.

1.4 Implications of coronovirus on our business

The coronavirus crisis, its economic impact and the recent oil price collapse provide an exceptionally challenging market backdrop. The main focus of the Lundin Energy Group's response is on reducing the risk of the virus spreading in the operations and safeguarding the well-being of the employees and contractors, whilst at the same time minimising the potential impact on the business in Norway. Lundin Energy Norway AS, the company's operational subsidiary, is part of a coordinated industry response to the crisis in Norway and the authorities have introduced certain exceptional measures to help deal with the situation. Detailed contingency plans have been established, and are being implemented, to mitigate the risk. A key action is to reduce the risk of having coronavirus infected personnel offshore and so offshore sites have been down-manned while maintaining a minimum level of activity to allow production, and the most important project activities, to continue. To date there have been no disruptions to production due to the coronavirus situation. The activity deferrals will impact project schedules, but with the operational flexibility available within the business, this means there are no negative impacts to production guidance.

Lundin Energy Norway AS has high quality, low cost assets, which are resilient to a low oil price environment. Nevertheless, steps have been taken to defer activity and reduce spend, where it does not impact production, in order to further strengthen near term cash flow and liquidity of the Lundin Energy Group. Total expenditure reductions and deferrals amounting to over USD 300 million (including capital expenditures, operating costs and G&A) have been implemented for 2020, with further options available to defer or reduce expenditure should low oil prices persist.

Due to the current oil market uncertainty, the company also took the prudent measure of securing further credit commitments of USD 340 million through an unsecured corporate facility with five banks in April 2020.

Management believes that based on the actions taken to date, the application of the going concern assumption for the preparation of these annual accounts is appropriate.

1.5 Comparison with previous year

The principles of valuation and determination of the result remained unchanged compared to the previous year.

1.6 Related-party transactions

Lundin Energy AB can be classified as related party as a result of the fact that this company can exercise decisive control over Lundin Energy Holding B.V. All other group companies can also be classified as related party as Lundin Energy Holding B.V. is the central holding and financing company of the Lundin Energy Group. All directors of the company are also classified as related party.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required to provide the true and fair view.

1.7 Functional currency

The functional currency of the company's operations is the Euro and consequently, it has been decided that the company will draw up its financial statements in Euro.

1.8 Consolidation

The company has made use of the consolidation exemption in article 408, paragraph 1, book 2 of the Dutch Civil Code. The consolidated accounts of Lundin Petroleum AB for the year ended 31 December 2019 are filed at the Commercial Registry in The Hague, The Netherlands.

1.9 Cash flow statement

In conformity with the exemption provisions of the Guidelines for Annual Reporting in the Netherlands, a cash flow statement is not presented. The company's cash flow is included in the consolidated statement of cash flow of the parent company that can be find in the consolidated accounts of Lundin Petroleum AB that are filed at the Commercial Registry in The Hague, The Netherlands.

1.10 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. If necessary for the purpose of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Accounting policies for the balance sheet

2.1 Financial fixed assets

As the company acts as a holding company in an international group, and makes use of the consolidation exemption as per Article 408 of the Dutch Civil Code, the investments in subsidiary companies are valued at cost or lower fair value.

Receivables included in financial fixed assets are recognised initially at fair value and subsequently measured at amortised cost less provisions where necessary.

At each balance sheet date the Company assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or when impairment testing for an asset is required, the Company determines the realisable value of the asset. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying value of an asset exceeds its realisable value. The realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

If it is established that a previously recognised impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined had no asset impairment been recognised.

2.2 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost less, if considered necessary, a provision for possibly uncollectable accounts. When determining the initial valuation of long-term receivables from group companies, the fair value calculation is determined by applying a group interest rate rather than a discount rate on individual loans, because these loans are issued in a group context whereby risks are managed on a group level.

2.3 Cash and banks

Cash in foreign currencies is converted to EUR at exchange rates prevailing at balance sheet date. Cash and banks are stated at face value.

2.4 Provisions

General

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, the settlement of which is likely to require an outflow of resources whose extent can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations as at the balance sheet date. Provisions are stated at the present value of the expenditure expected to be required to settle the obligations. If the expenditure to settle obligations is expected to be recovered from third parties, the recovery is carried as an asset on the balance sheet if it is likely to be received upon settlement of the obligation.

Provision for subsidiaries

The provision for subsidiaries is recognised at the nominal value of the estimated outflow of money when the company has a constructive obligation to fund the subsidiary in order to enable it to meet its obligations and it can be assumed that the subsidiary will not be able to fulfil its obligations without the funding of the company.

2.5 *Long-term liabilities*

Long-term liabilities are recognised initially at fair value. Borrowings are subsequently stated at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

2.6 *Current liabilities*

Current liabilities are initially recognised at fair value and are subsequently stated at amortised cost.

2.7 *Foreign currencies*

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Balance sheet items relating to assets and liabilities denominated in currencies other than the euro are translated at the rate of exchange prevailing on balance sheet date. The resulting exchange rate differences are credited or charged to the profit and loss account.

Non-monetary assets acquired in a currency other than the euro and which are valued at cost are translated at the rate of exchange on the transaction date.

At year end, the exchange rate for US dollar to EUR amounted to 0.8902 (2018: 0.8734) and the exchange rate for Norwegian Kroner to EUR amounted to 0.1014 (2018: 0.1005).

2.8 *Financial instruments*

Derivatives, of which the underlying object is listed on a stock exchange, are stated at fair value. All other on balance financial instruments are carried at cost or lower fair value.

The company uses cost price hedge accounting for its interest rate hedge contracts intended to hedge the interest rate on part of the loan balance under the USD 5 billion credit facility. Where appropriate, the gain or loss relating to the ineffective portion of the change in value of hedge contracts is recognised in the profit and loss account within finance costs.

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

- if the hedged item is recognised at cost in the balance sheet, the derivative instrument is also stated at cost;
- as long as the hedged item is not yet recognised in the balance sheet, the hedging instrument is not remeasured;
- if the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate at the balance sheet date.

The company shall discontinue prospectively the cost price hedge accounting if:

- the hedging instrument expires or is sold, terminated or exercised;
- the hedge no longer meets the criteria for hedge accounting.

Forward exchange contracts intended for future purchases in Norwegian Kroner and sales in US dollars for which no cost price hedging is applied, are valued at cost or lower fair value with the difference directly recognised in the profit and loss account in other financial result.

3 Accounting policies for the profit and loss account

3.1 General

Profit or loss is determined as the difference between the realisable value of the services rendered and the costs and other charges for the year. Gains or losses on transactions are recognised in the year in which they are realised; losses and costs are taken as soon as they are foreseeable.

Income includes the total amounts received and receivable.

Expenses include the total amounts paid and payable as well as:

- Additions to provisions;
- Net financial result.

3.2 Revenue recognition

General

Revenue comprises the income from services provided after deduction of taxes levied on the turnover.

Interest income

Interest income from non-quasi equity loans are classified as revenue. The associated interest expenses are included in external charges. Interest income and expense is recognised on a time-weighted basis, taking into account the effective interest rate of the assets and liabilities concerned.

Commitment fee income

Commitment fee income is received for committed amounts under a loan agreement to subsidiary companies. Commitment fee income is recognised on an accrual basis in accordance with the relevant committed amount and the actual loan provided.

3.3 External charges

External charges represent the direct and indirect expenses attributable to revenue and other external charges that are attributable to cost of sales.

3.4 Employee benefits

Salaries, wages and social security contributions are taken to the income statement based on the terms of employment, where they are due to employees.
The company's pension obligation consists of a defined contribution plan with costs being recognised on incurrence.

3.5 *Financial income and expense*

Interest income and expenses are recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned.

Interest income from quasi equity loans and the associated interest expenses are reported as financial income and expense.

3.6 *Exchange differences*

Exchange differences arising upon the settlement or conversion of monetary items are recognised in the profit and loss account in the period that they arise.

Income and expenses in other currencies than the euros are converted into euro at the rate of settlement.

The average exchange rate used in 2019 for US dollar to EUR amounted to 0.8932 (2018: 0.8464) and the average exchange rate used in 2018 for Norwegian Kroner to EUR amounted to 0.1015 (2018: 0.1042).

3.7 *Taxation*

Tax on result is calculated by applying the current rate to the result for the financial year in the profit and loss account, taking into account tax losses carry-forward, tax exempt profit elements and after inclusion of non-deductible costs.

The taxable result for corporate income tax of the companies included in the fiscal unity is added to the result of Lundin Energy Holding B.V. as the parent company of the fiscal unity. The tax charge of this fiscal unity is fully accounted for in Lundin Energy Holding B.V and is not settled with the other companies within the fiscal unity.

3.8 *Result from investments*

Dividends received from subsidiaries not carried at net asset value are recognised as soon as the company acquires the right to them.

4 Risks and uncertainties

As the central holding and financing company of the Lundin Energy Group, Lundin Energy Holding B.V. is exposed to financial and external risks such as fluctuations in currency rates, interest rates, oil price, as well as credit financing. The company controls these risks, directly or within the Lundin Energy Group, through sound management practice and the use of generally accepted financial instruments. Financial instruments are solely used for the purpose of minimising risks in the company's business. Financial risks are considered incorporating the effects for the Lundin Energy Group as a whole.

Currency risk

In case of currency risk, the company will consider setting the rate of exchange for known costs and financing needs in advance so that future cost and financing levels can be forecasted with a reasonable degree of certainty. The company will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge. The company entered into currency hedging contracts fixing the rate of exchange from USD into NOK to meet future NOK requirements by Lundin Energy Norway AS. As per 31 December 2019, the company has outstanding currency rate hedges for 2020 - 2024 to buy NOK 12,034.0 million and to sell USD 1,433.3 million that gives an average contractual exchange rate of NOK 8.40 : USD 1.

Interest rate risk

The company is exposed to interest rate risk through the credit facility and its policy is to assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the company, then the company may choose to enter into an interest hedge. As per 31 December 2019, the company has outstanding interest rate hedge contracts as follows:

Borrowing in million USD	Fixing of floating LIBOR rate per annum	Settlement period
3,300	1.96%	1 Jan 2020 - 31 Dec 2020
3,100	2.28%	1 Jan 2021 - 31 Dec 2021
2,900	2.41%	1 Jan 2022 - 31 Dec 2022
2,000	1.75%	1 Jan 2023 - 31 Dec 2023
1,500	1.91%	1 Jan 2024 - 31 Dec 2024

Oil price risk

Price of oil is affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, pandemics, economic conditions, political instability or conflicts or actions by major oil exporting countries. Price fluctuations can affect the company's financial position as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. The company's policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances, the company will assess the benefits of forward hedging monthly sales contracts so that future cash flows can be forecasted with a reasonable degree of certainty. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge. During 2019 no oil price hedging contracts were entered into.

Asset management and cost control

Development projects and production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect the company's cash flow levels to varying degrees as the major subsidiary of the company, Lundin Energy Norway AS, is oil producing. Effective procurement and cost control management processes are essential in ensuring that reasonable cost levels are achieved relative to business plans. All development projects must pass through the Lundin Energy value process that requires approval from the Investment Committee, and from the Board for significant investment decisions. In addition, government organisations, partners and third party groups provide independent oversight.

Credit risk

The company's policy is to limit risks by limiting the counter parties to major banks.

Liquidity risk

As part of the restructuring in 2017 within the Lundin Energy Group, the company entered into the USD 5 billion committed seven year reserve-based lending facility with a group of international banks with no reduction in committed facility size before mid 2020 and with a final maturity date of end 2022. On 5 October 2019, production commenced at Johan Sverdrup Phase 1 which marked a pivotal milestone for the Lundin Energy Group. With the lending facility in place and the sound cash flow generated by the group, the company is in a strong financial position. It is expected that the Group's ongoing development and exploration and appraisal expenditure requirements will be funded by the Group's cash flow and credit facility. Subsequent to year end in April 2020 and due to the current oil market uncertainty, the company took the prudent measure of securing further credit commitments of USD 340 million through an unsecured corporate facility with five banks.

Changes to laws and regulations

The company's subsidiaries operate in various countries, mainly in Norway. Changes to laws and regulations within these countries may lead to negative consequences such as, but not limited to, the expropriation of property, cancellation of or modification of contract rights, and uncertainty in taxation. These changes might affect the company's financial position. The company reviews its portfolio of assets in relation to its financial performance on a regular basis. The company strives to ensure comprehensive interpretation and compliance with regulations that may impact the business.

Coronavirus

As explained in paragraph 1.4 of the annual accounts, the coronavirus, its economic impact and the recent oil price collapse have provided an exceptionally challenging market backdrop. The main risks for the company that result from the current uncertain situation regarding the coronavirus are:

- Revenues and profitability: as the central holding and financing company of the Lundin Energy Group, the company's operating income and dividends are mainly received from its wholly owned subsidiary Lundin Energy Norway AS. The main focus of the Lundin Energy Group's response is on reducing the risk of the virus spreading in the operations and safeguarding the well-being of the employees and contractors, whilst at the same time minimising the potential impact on the business in Norway. Lundin Energy Norway AS is part of a coordinated industry response to the crisis in Norway and the authorities have introduced certain exceptional measures to help deal with the situation. Detailed contingency plans have been established, and are being implemented, to mitigate the risk. A key action is to reduce the risk of having coronavirus infected personnel offshore and so offshore sites have been down-manned while maintaining a minimum level of activity to allow production, and the most important project activities, to continue. To date there have been no disruptions to production due to the coronavirus situation. The activity deferrals will impact project schedules, but with the operational flexibility available within the business, this means there are no negative impacts to production guidance.

- Financing and liquidity: as the central holding and financing company of the Lundin Energy Group, the company extracts the external financing for the Lundin Energy Group and provides liquidity to its wholly owned subsidiaries. The main operating entity within the Lundin Energy Group is its wholly owned subsidiary Lundin Energy Norway AS with the shares of Lundin Energy Norway AS being pledged in relation to the credit facility entered into by the company. Lundin Energy Norway AS has high quality, low cost assets, which are resilient to a low oil price environment. Nevertheless, steps have been taken to defer activity and reduce spend, where it does not impact production, in order to further strengthen near term cash flow and liquidity of the Lundin Energy Group. Total expenditure reductions and deferrals amounting to over USD 300 million (including capital expenditures, operating costs and G&A) have been implemented for 2020, with further options available to defer or reduce expenditure should low oil prices persist. Subsequent to year end, in April 2020 and due to the current oil market uncertainty, the company took the prudent measure of securing further credit commitments of USD 340 million through an unsecured corporate facility with five banks.

5 Notes to the balance sheet

5.1 Financial fixed assets

Shares in subsidiaries

The movement in the shares in subsidiaries can be specified as follows:

	2019	2018
	EUR '000	EUR '000
1 January	6,672,108	6,520,370
Acquisitions/Incorporation	0	59
Reversal of (impairments)	-	151,679
31 December	6,672,108	6,672,108

During 2018, the company reversed the EUR 151.7 million impairment from 2017 as a result of the strengthening of the US dollar compared to the EUR during 2018 with Lundin Energy Norway AS generating its cash flows in US dollar in combination with increased reserves in Norway.

The shares of the subsidiary companies Lundin Energy Norway AS and Lundin Energy Marketing S.A. are pledged in relation to the credit facility entered into by the company.

The company incorporated Lundin Energy Renewables Holding B.V. (previously named Lundin Energy Holding B.V.) during the year.

As at 31 December 2019, the company has interests in the following subsidiary companies:

- Lundin Energy Norway AS, Oslo, Norway (100%)
- Lundin Energy Marketing S.A., Geneva, Switzerland (100%)
- Lundin Energy Renewables Holding B.V., The Hague (100%)
- Lundin Energy S.A., Geneva, Switzerland (100%)
- Lundin Energy Services B.V., The Hague (100%)
- Lundin Russia B.V., The Hague (100%)

Loans to group companies

The movement in the loans to group companies can be specified as follows:

	2019	2018
	EUR '000	EUR '000
1 January	2,201,684	2,607,786
Additions	8,112	2,591
Repayments	(204,201)	(482,603)
Interest	80,325	88,848
Movement provision	(4,436)	(1,681)
Exchange rate differences	15,427	(13,257)
31 December	2,096,911	2,201,684

As at 31 December 2019, the sum of provisions amounts to EUR 7.0 million.

The loans are part of group intercompany loan agreements and shall remain in effect for an indefinite period. The interest rate under these loan agreements is floating and is currently equal to the 3-months LIBOR or NIBOR plus 2.25% per annum (3.15% until 1 June 2018). The company did not receive any securities for these loans. The interest rates varied between 3.50% to 5.04% during the year (2018: 3.24% - 5.47%).

As part of the restructuring within the Lundin Energy Group in 2017, the company entered into an USD 5 billion committed seven year reserve-based lending facility with a group of international banks as mentioned in paragraph 5.6. In line with this facility, the company entered into an intragroup loan agreement with its 100% subsidiary Lundin Energy Norway AS in which the company agreed to make available 91% of the entire facility as mentioned in paragraph 5.6 for the purpose of funding the ongoing operations. The interest rate under this loan agreement is floating and is currently equal to the 3-months NIBOR plus 2.25% per annum (3.15% until 1 June 2018). The maturity date of the intragroup loan agreement with Lundin Energy Norway AS is December 2022.

5.2 Receivables

No receivables with maturities of more than one year are included under the current assets.

The derivative instruments in the comparative period related to interest rate hedge contracts with a maturity of less than one year valued at cost intended to hedge the interest rate on part of the loan balance under the USD 5 billion credit facility as mentioned in paragraph 5.10.

Included in other receivables in the comparative period was an interest bearing receivable from International Petroleum Corp. (IPC) that was due in 2019, following the restructuring within the Lundin Energy Group in 2017. This receivable was fully repaid during 2019.

5.3 Cash and bank

All cash and bank balances are at the company's free disposal.

5.4 Shareholders' equity

Share capital

The issued share capital of the company amounts to EUR 100 and consists of 100 ordinary shares with a nominal value of EUR 1 each and was fully paid in.

The shares of Lundin Energy Holding B.V. are pledged in relation to the credit facility entered into by the company.

Share premium reserve

The movement for the year can be specified as follows:

	2019	2018
	EUR	EUR
1 January	5,547,819	5,724,274
Dividend distribution	(1,806,671)	(176,455)
31 December	3,741,148	5,547,819

On 29 March 2019, the company decided to make a dividend distribution amounting to USD 500,999,439.80, to be paid in quarterly instalments of USD 125,249,859.95 and with each instalment to be converted to Swedish Krona (SEK) based on the USD to SEK exchange rate published by Sweden´s central bank (Riksbanken) four business days prior to each payment date. The quarterly instalments were paid on 2 April 2019, 3 July 2019, 2 October 2019 and 3 January 2020. The dividend distribution equalled EUR 446,057,417.

On 31 July 2019, the company decided to make a dividend distribution amounting to SEK 14,510,265,633. The dividend was paid on the same day and equalled EUR 1,360,613,778.

Retained earnings

The movement for the year can be specified as follows:

	2019	**2018**
	EUR	EUR
1 January	260,908	127,916
Result for the financial year	951,033	132,992
31 December	1,211,941	260,908

Proposed allocation of the result

Management proposes to add the profit for the year 2019 amounting to EUR 951,033,000 to the retained earnings and proposes that the interim dividend distributions made during the year amounting to EUR 1,806,671,195 are hereby final at the charge of the share premium reserve.

This proposal has been reflected in the balance sheet.

5.5 Provisions

Movements in other provisions are specified as follows:

Others

	Provision for subsidiaries	**Other**	**Total**
	EUR '000	EUR '000	EUR '000
1 January 2018	226	4,236	4,462
Additions	-	2,311	2,311
Releases/Utilisation	(226)	(5,004)	(5,230)
Exchange result	-	(161)	(161)
31 December 2018	-	1,382	1,382
Additions	-	747	747
Utilisation	-	(2,061)	(2,061)
Exchange result	-	(27)	(27)
31 December 2019	-	41	41

Other

This item relates to a provision in relation to Long-term incentive plans (LTIP) and related almost entirely to persons previously employed by the Lundin Energy Group and now, following the restructuring of the Lundin Energy Group in 2017, working for the IPC Group. The LTIP consists of a Unit Bonus Plan (UBP) and a Performance Based Incentive Plan (PBIP). The UBP consists of an annual grant of units that will be converted into a cash payment at vesting. The cash payment will be determined at the end of each vesting period by multiplying the number of units by the share price of the shares of Lundin Energy AB. The UBP has a three year duration whereby the initial grant of units vests equally in three tranches: one third after one year; one third after two years; and the final third after three years. The PBIP consists of an annual grant of units with a three year performance period. The allotment of shares at the end of the performance period is subject to certain performance conditions being met by the Lundin Energy Group. As per end 2019, no LTIP is outstanding anymore relating to former Lundin Energy employees following payment during 2019.

The provision as per end 2019 relates to the UBP and part of the provision will have a remaining term of less than one year.

5.6 Long-term liabilities

Credit facility

Movements in credit facility are specified as follows:

	Outstanding credit facility	**Capitalized financing fees**	**Total**
	EUR '000	EUR '000	EUR '000
1 January 2018	3,297,757	-	3,297,757
Additions	-	(1,320)	(1,320)
Repayments	(423,326)	-	(423,326)
Amortization	-	208	208
Exchange result	151,770	-	151,770
31 December 2018	3,026,201	(1,112)	3,025,089
Additions	554,781	-	554,781
Amortization	-	356	356
Reclassification	(81,894)	-	(81,894)
Exchange result	61,532	-	61,532
31 December 2019	3,560,620	(756)	3,559,864

Outstanding credit facility

As part of the restructuring within the Lundin Energy Group in 2017, the company entered into an USD 5 billion committed seven year reserve-based lending facility with a group of international banks. The USD 5 billion reserve-based lending facility was amended during 2018 resulting in the interest rate margin over LIBOR being reduced from 3.15% to a current rate of 2.25%. The facility is secured against certain cash flows generated by the Lundin Energy Group. The amount available under the facility is recalculated every twelve months based upon the calculated cash flow generated by certain producing fields and fields under development of the Group at an oil price and economic assumptions agreed with the banking syndicate providing the facility. The facility has been completed to provide funding for the Group´s ongoing operations. The interest rate on the facility is floating and is currently LIBOR plus 2.25% per annum (3.15% until 1 June 2018). Part of the floating LIBOR rate is hedged as mentioned in paragraph 5.10.

The maturity date of the facility is December 2022 and the amount available to borrow under the facility is based upon a net present value calculation of the Group assets' future cash flows.

The credit facility agreement provides that an 'event of default' occurs where the company does not comply with certain material covenants or where certain events occur as specified in the agreement, as are customary in financing agreements of this size and nature. If such an event of default occurs and subject to any applicable cure periods, the external lenders may take certain specified actions to enforce their security, including accelerating the repayment of outstanding amounts under the credit facility.

The total interest expense for the year amounted to EUR 149.0 million which includes the gain on the interest rate hedges of EUR 7.7 million. A 100 basis point shift in the interest rate would have resulted in a change in the total interest expense for the year of EUR 7.2 million, taking into account the interest rate hedges for 2019.

The short-term portion of the outstanding loan under the reserve-based lending facility has been classified as current liability and the long-term portion of the facility is due within five years.

Capitalized financing fees

Capitalized financing fees related to the fees incurred for the re-negotiated USD 5 billion reserve-based lending facility resulting in the interest rate margin over LIBOR being reduced from 3.15% to a current rate of 2.25%. The capitalized financing fees are amortised over the remaining period of the facility. Based on the intragroup loan agreement with the 100% subsidiary Lundin Energy Norway AS, 91% of the fees incurred were charged to Lundin Energy Norway AS with these recharges being netted against the capitalized financing fees.

Loans from group companies

The movement in the loans from group companies can be specified as follows:

	2019	**2018**
	EUR '000	EUR '000
1 January	4,100	1,871
Additions	1,000	3,858
Repayments	(967)	(1,466)
Interest	127	70
Exchange rate differences	(102)	(233)
31 December	4,158	4,100

The loans are part of group intercompany loan agreements and shall remain in effect for an indefinite period. The interest rate under these loan agreements is floating and is currently equal to the 3-months LIBOR plus 2.25% per annum (3.15% until 1 June 2018). The company did not grant any security for these loans. The interest rates varied between 4.33% to 5.04% during the year (2018: 4.57% - 5.47%).

Derivative instruments

The movement in the long-term derivative instruments liabilities can be specified as follows:

	2019	**2018**
	EUR '000	EUR '000
1 January	49,603	9,520
Fair value movements	19,263	57,568
Reclassification	(19,488)	(17,485)
31 December	49,378	49,603

The derivative instruments relate to forward exchange contracts with a maturity of more than one year valued at cost or lower fair value intended to hedge future purchases in Norwegian Kroner and sales in US dollars as mentioned in paragraph 5.10.

5.7 Current liabilities

No payables with maturities of more than one year are included under the current liabilities. Apart from the short-term portion of the reserve-based lending facility, these liabilities are non interest-bearing.

Payables to group companies

Payables to group companies relates to a liability to the parent company Lundin Energy AB and includes the fourth quarterly instalment of the dividend distribution approved on 29 March 2019 as mentioned in paragraph 5.4 that was paid on 3 January 2020.

Derivative instruments

The derivative instruments relate to forward exchange contracts with a maturity of less than one year valued at cost or lower fair value intended to hedge future purchases in Norwegian Kroner and sales in US dollars as mentioned in paragraph 5.10

5.8 Contingent assets

The company as parent of the fiscal unit for corporate income tax purposes did not give any value to the tax losses carried forward due to uncertainty about the probability that these losses can be offset by future taxable profits. Tax losses carried forward amount to approximately EUR 32 million.

5.9 Contingent liabilities

The company forms part of a fiscal unit for corporate income tax and value added tax purposes with its Dutch subsidiaries. As a consequence, the company is jointly and severally liable for corporate income tax and value added tax liabilities of the fiscal unit.

5.10 *Financial instruments*

Interest rate hedge contracts

The company uses cost price hedge accounting for its interest rate hedge contracts intended to hedge the interest rate on part of the loan balance under the USD 5 billion credit facility. Consequently these interest rate hedge contracts are valued at cost being nil.

The fair value of the interest rate hedge contracts as per balance sheet date, based on the forward curves as per balance sheet date, amounts to EUR 59.2 negative.

As per 31 December 2019, the company has outstanding interest rate hedge contracts as follows:

Borrowing in million USD	Fixing of floating LIBOR rate per annum	Settlement period
3,300	1.96%	1 Jan 2020 - 31 Dec 2020
3,100	2.28%	1 Jan 2021 - 31 Dec 2021
2,900	2.41%	1 Jan 2022 - 31 Dec 2022
2,000	1.75%	1 Jan 2023 - 31 Dec 2023
1,500	1.91%	1 Jan 2024 - 31 Dec 2024

Forward exchange contracts

The company does not use cost price hedge accounting for its forward exchange contracts intended for future purchases in Norwegian Kroner and sales in US dollars. Consequently these forward exchange contracts are valued at cost or lower fair value with the difference being directly recognised in the profit and loss account in other financial result. The forward exchange contracts are valued at EUR 68.9 million negative.

The fair value of the forward exchange contracts as per balance sheet date amounts to EUR 56.6 negative as some outstanding forward exchange contracts have a positive fair value which is not recognised yet in the profit and loss account.

As per 31 December 2019, the company has outstanding forward exchange contracts as follows:

Buy	Sell	Average contractual exchange rate	Settlement period
MNOK 7,304.0	MUSD 842.7	NOK 8.67:USD 1	1 Jan 2020 - 31 Dec 2020
MNOK 2,470.0	MUSD 310.0	NOK 7.97:USD 1	1 Jan 2021 - 31 Dec 2021
MNOK 1,430.0	MUSD 183.4	NOK 7.80:USD 1	1 Jan 2022 - 31 Dec 2022
MNOK 530.0	MUSD 64.2	NOK 8.26:USD 1	1 Jan 2023 - 31 Dec 2023
MNOK 300.0	MUSD 33.0	NOK 9.09:USD 1	1 Jan 2024 - 31 Dec 2024

6 Notes to the profit and loss account

6.1 Revenues

	2019	2018
	EUR '000	EUR '000
Interest income	79,874	88,644
Commitment fee income	18,211	17,269
	98,085	105,913

The company is the central holding and financing company of the Lundin Energy Group.

6.2 External charges

This item can be specified as follows:	2019	2018
	EUR '000	EUR '000
Interest expenses facility	100,134	108,137
Result on interest rate hedge contracts	(7,732)	(10,496)
Commitment fee expenses facility	9,698	10,970
Other external charges	719	690
	102,819	109,301

The interest expenses facility relates to the interest on the outstanding balance under the credit facility that is associated with the operating income.

Included in external charges is an amount of EUR 38,750 in relation to directors' remuneration.

6.3 Personnel expenses

The company's pension obligation consists of defined contribution plans. The average number of employees employed by the company during 2019 on a full-time basis was 2 (2018: 2), both in the Netherlands.

6.4 *Interest income and similar proceeds*

This item can be specified as follows:

	2019	2019
	EUR '000	EUR '000
Interest group companies	451	204
Other interest income and similar proceeds	302	508
	753	712

6.5 *Interest expenses and similar charges*

This item can be specified as follows:

	2019	2018
	EUR '000	EUR '000
Interest expenses facility	58,432	39,593
Additions to provisions for loans to group companies	4,436	1,681
Bridge facility fees	2,932	-
Amortization financing fees	356	208
Interest group companies	127	70
Other interest expenses and similar charges	69	68
	66,352	41,620

The interest expenses facility relates to the interest on the outstanding balance under the credit facility that is not associated with the operating income.

The company entered into a short-term USD 500 million bridge facility during the year that was temporarily in place from late July 2019 to the end of August 2019. The bridge facility was fully repaid at the end of August.

6.6 *Other financial result*

Other financial result can be specified as follows:	**2019**	**2018**
	EUR '000	EUR '000
Exchange differences	(55,197)	(157,715)
Result on derivative instruments	(56,131)	(46,161)
	(111,328)	(203,876)

Exchange rate variations result primarily from fluctuations in the value of the EUR currency against the US dollar and Norwegian Kroner. Result on derivative instruments relates to the forward exchange contracts for which no hedge accounting is applied.

6.7 *Taxes*

The legal tax rate for corporate income tax amounts to 25% with the effective tax rate amounting to nil what is mainly caused by the use of the participation exemption and by the fact that the financial result is almost entirely excluded for corporate income tax purposes.

6.8 *Result from investments*

This item can be specified as follows:	**2019**	**2018**
	EUR '000	EUR '000
Received dividend	1,133,669	228,963
Movement impairment of/Provision for subsidiary companies	-	151,905
Change in fair value of other shares and participations	-	2,770
	1,133,669	383,638

Audit Fees

Based on article 2:382a sub 3 of the Dutch Civil Code, the company applies for exemption of the Independent auditor's fees disclosure. The audit fees of the company are included in the consolidated financial statements of Lundin Petroleum AB.

Subsequent events

Subsequent to year end, the company decided to make a dividend distribution amounting to USD 284,051,304, to be paid in quarterly instalments of USD 71,012,826 and with each instalment to be converted to Swedish Krona (SEK) based on the USD to SEK exchange rate published by Sweden´s central bank (Riksbanken) four business days prior to each payment date. The quarterly instalments will be paid on 2 April 2020, 3 July 2020, 2 October 2020 and 4 January 2021. The dividend distribution is equal to EUR 259,265,520.

In January 2020, the company concluded a transaction with OX2 AB (OX2) to acquire a 100 percent interest in the Metsälamminkangas (MLK) wind farm project, in mid Finland. MLK will produce around 400 GWh per annum gross, once it is fully operational in 2022, from 24 onshore wind turbines. The MLK operations will be managed by OX2. On the same day of concluding the transaction with OX2, the company concluded a transaction with its wholly owned subsidiary Lundin Energy Renewables Holding B.V. to transfer the 100 percent interest in the Metsälamminkangas (MLK) wind farm project to Lundin Energy Renewables Holding B.V.

The coronavirus crisis has developed rapidly subsequent to year end. For further information about the impact of the coronavirus crisis on the company and measures taken to date, reference is made to paragraph 1.4.

In April 2020 and due to the current oil market uncertainty, the company took the prudent measure of securing further credit commitments of USD 340 million through an unsecured corporate facility with five banks.

The Hague, 20 May 2020

A.J.M. Schneiter	A.J.W. Harber (director since 19 June 2019)	G.W.M. de Ruiter (director since 1 January 2020)

T.J.P. Bosje resigned as director of the company on 1 January 2020.

G.W.M. de Ruiter resigned as director of the company on 19 June 2019 and returned as director of the company on 1 January 2020.

Other information

Profit appropriation according to the Articles of Association

According to article 19 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders.

Article 19 of the Articles of Association reads as follows:
19.1 The allocation of profits accrued in a financial year shall be determined by the Shareholders' Body. If the Shareholders' Body does not adopt a resolution regarding the allocation of the profits prior to or at latest immediately after the adoption of the annual accounts, the profits will be reserved.
19.2 Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.
19.3 The Shareholders´ Body may resolve to make interim distributions on Shares and/or to make distributions on Shares at the expense of any reserve of the Company. In addition, the Management Board may decide to make interim distributions on Shares.
19.4 Distributions on Shares shall be made payable immediately after the resolution to make the distribution, unless another date of payment has been determined in the resolution.
19.5 Distributions on Shares may be made only up to an amount which does not exceed the amount of the Distributable Equity.
19.6 In calculating the amount of any distribution on Shares, Shares held by the Company shall be disregarded.
19.7 A resolution pertaining to distribution has no consequences until the Management Board has given its approval. The Management Board may withhold its approval only if it knows or reasonably ought to foresee that the Company will not be able to continue to pay its immediately payable debts after the distribution.

Independent auditor's report

The independent auditor's report is included on the next page.

Independent auditor's report

To: the general meeting of Lundin Energy Holding B.V.

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of Lundin Energy Holding B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of Lundin Energy Holding B.V., The Hague.

The financial statements comprise:

- the balance sheet as at 31 December 2019;
- the profit and loss account for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Lundin Energy Holding B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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Emphasis of matter - uncertainty related to the effects of the coronavirus (COVID-19)

We draw attention to note 1.4 in the financial statements in which management has described the possible impact and consequences of the coronavirus (COVID-19) on the company and the environment in which the company operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of management

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 20 May 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by E.M.W.H. van der Vleuten RA

Appendix to our auditor's report on the financial statements 2019 of Lundin Energy Holding B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.