



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 986 209 409
Organisasjonsform: Aksjeselskap
Foretaksnavn: ABP NORWAY AS
Forretningsadresse: Strandveien 4
1366 LYSAKER

Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Kristin Færøvik
Dato for fastsettelse av årsregnskapet: 06.03.2020

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 06.10.2022



Resultatregnskap

Beløp i: NOK	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Driftsinntekter oljesalg	3	17 173 230 000	15 242 964 000
Driftsinntekter gassalg	3	1 183 938 000	1 577 972 000
Tariff inntekter	4	239 000 000	239 100 000
Gevinst fra salg av eiendeler	2	6 798 875 000	1 957 000
Andre inntekter	3	33 461 000	37 952 000
Sum inntekter		25 428 504 000	17 099 945 000
Kostnader			
Produksjonskostnader	4	1 558 660 000	1 526 728 000
Letekostnader		1 657 389 000	1 402 132 000
Lønns og lønnsavhengige kostnader	5	20 621 000	22 355 000
Ordinære avskrivninger	8	3 564 451 000	3 377 207 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	8	895 808 000	49 903 000
Andre driftskostnader		66 366 000	64 935 000
Sum kostnader		7 763 295 000	6 443 260 000
Driftsresultat		17 665 209 000	10 656 685 000
Finansinntekter og finanskostnader			
Finansinntekter renter		12 040 000	9 061 000
Sum finansinntekter		12 040 000	9 061 000
Finanskostnader		637 256 000	547 868 000
Sum finanskostnader		637 256 000	547 868 000
Netto finans	6	-625 216 000	-538 807 000
Ordinært resultat før skattekostnad		17 039 993 000	10 117 878 000
Skattekostnader	7	8 190 189 000	7 457 864 000
Ordinært resultat etter skattekostnad		8 849 804 000	2 660 014 000
Årsresultat		8 849 804 000	2 660 014 000
Overføringer og disponeringer			



Resultatregnskap

Beløp i: NOK	Note	2019	2018
Ordinært utbytte		11 300 000 000	
Overført til/fra annen egenkapital		-2 450 196 000	2 660 014 000
Sum overføringer og disponeringer		8 849 804 000	2 660 014 000



Balanse

Beløp i: NOK	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Olje- og gassfelt	8	44 086 230 000	42 214 498 000
Maskiner, inventar o.l	8	31 081 000	34 336 000
Varelager	8	303 652 000	288 395 000
Andre investeringer		2 400 000	0
Sum varige driftsmidler		44 423 363 000	42 537 229 000
Sum anleggsmidler		44 423 363 000	42 537 229 000
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	10	2 674 507 000	1 284 110 000
Andre fordringer	11	1 035 723 000	915 907 000
Sum fordringer		3 710 230 000	2 200 017 000
Bankinnskudd, kontanter og lignende			
Kontanter og kontantekvivalenter	12	68 961 000	121 895 000
Sum bankinnskudd, kontanter og lignende		68 961 000	121 895 000
Sum omløpsmidler		3 779 191 000	2 321 912 000
SUM EIENDELER		48 202 554 000	44 859 141 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	14	493 000 000	493 000 000
Overkurs		214 641 000	214 641 000



Balanse

Beløp i: NOK	Note	2019	2018
Sum innskutt egenkapital		707 641 000	707 641 000
Opptjent egenkapital			
Annen egenkapital		1 421 215 000	3 871 411 000
Sum opptjent egenkapital		1 421 215 000	3 871 411 000
Sum egenkapital	14	2 128 856 000	4 579 052 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	7	16 045 813 000	12 202 183 000
Fjerning og nedstengningsforpliktelse	17	4 580 324 000	4 257 732 000
Sum avsetninger for forpliktelser		20 626 137 000	16 459 915 000
Annen langsiktig gjeld			
Langsiktig konserngjeld	15,16, 18	20 254 733 000	21 315 464 000
Sum annen langsiktig gjeld		20 254 733 000	21 315 464 000
Sum langsiktig gjeld		40 880 870 000	37 775 379 000
Kortsiktig gjeld			
Leverandørgjeld	10	558 300 000	538 944 000
Betalbar skatt	7	2 993 667 000	635 375 000
Annen kortsiktig gjeld	11	1 640 861 000	1 330 391 000
Sum kortsiktig gjeld		5 192 828 000	2 504 710 000
Sum gjeld		46 073 698 000	40 280 089 000
SUM EGENKAPITAL OG GJELD		48 202 554 000	44 859 141 000
POSTER UTENOM BALANSEN			
Garantistillelser	17		
Pantstillelser	16		



Lundin Norway AS

Org. No.: 986209409

ANNUAL REPORT 2019

OPERATIONAL REVIEW

Lundin Norway AS is an oil and gas exploration and production company. The activity is located on the Norwegian Continental Shelf. Including the license awards in January 2020, the company has 88 production licenses of which 43 as operator. 2P reserves are 693 million boe and possible reserves are 165 million boe. Production in 2019 was 34.1 million boe. The Company has its main office at Lysaker and holds a branch office in Harstad.

GOING CONCERN

The Company has an ownership interest in the following six producing fields: Edvard Grieg, Johan Sverdrup, Alvheim Area, Volund, Bøyla and Ivar Aasen. At the back end of 2019, Johan Sverdrup, which came on stream on 5 October, surpassed Edvard Grieg as the main production contributor for the Company followed by Edvard Grieg and then Alvheim Area. These fields have produced over expectations with high regularity at very low operation costs. Based on the company's plans and budget, it is confirmed that the criteria in order to be able to prepare the accounts under the going concern assumption are met in accordance with the Norwegian Accounting Act § 3-3. The Board maintains that there is a sufficient level of equity available, ref. The Norwegian Ltd. Liability Companies Act § 3-4.

WORKING ENVIRONMENT AND PERSONNEL

The Company had 401 employees as of 31.12.2019 compared to 373 at end 2018. In 2019, there were 10.2 man-years of absence due to illness of a total of 378 man-years, constituting an absence-ratio of 2.7% against 2.0% the previous year.

The Company has not experienced any serious HSE incidents during the year. We registered one reportable personal injury with minor consequence in 2019. This is an improvement compared to 2018 and expected to be well below the average figure for our industry in 2019.

The working environment committees for Lundin Norway AS, Edvard Grieg and our drilling rigs have conducted meetings as planned and the employee/workforce cooperation has continued to function well throughout 2019. No major issues have been raised in these committees related to working environment challenges. In addition to working environment committee meetings, separate meetings with in-house union representatives have been conducted as required. The Company has facilitated and monitored its activities to ensure a safe and healthy working environment for the workforce.

EQUAL OPPORTUNITY AND DIVERSITY

The Company has an Equal Opportunity Policy that promotes equal treatment of employees, Staff are selected and treated based on merit and according to the requirements of the position advertised. No job applicant or employee shall receive less favourable treatment on the grounds of sex or gender, sexual orientation, marital or parental status, race, ethnic or national origin,



creed or colour, disability, age, religion, political belief, social or economic class, or any other ground not relevant to good employment practice.

The Company recruits personnel from disciplines where there is an overrepresentation of men and this is reflected in the Company's gender balance. Of the 401 employees in Lundin Norway AS, 99 are women, compared to 91 women previous year. The share of women is 27%. Women are represented in the Company's Board and management. The Company uses competence, experience and personal suitability as the selection criteria for new hires. Candidates are selected in cooperation between relevant department managers and Human Resources. While we seek the inclusion of at least one female candidate at the final interview stage to increase gender balance, we hire the best candidate for the position.

The Company also has a Diversity Policy, which aims to promote a diverse and skilled workforce striving for continuous improvement to achieve the Company's goals. The Company fosters an inclusive work environment that encourages the development of skills and experience, promoting a workplace culture that is free from all forms of discrimination and harassment.

EXTERNAL ENVIRONMENT

Lundin Norway AS is committed to performing exploration, construction and production activities in an economically, socially and environmentally responsible way. The Company aims to operate with the highest environmental standards. To achieve this requires a thorough understanding and respect for the natural environment and the impacts it may have in conducting its activities. The Company is committed to the precautionary principle, and to minimise risks to the natural environment. The Company's environmental strategy includes a set of goals and targets recognizing the need for continuous emission reductions, energy efficiency and reduction in waste generation. These goals and targets were all met and surpassed in 2019. As a result, the Company has revised its targets for 2020 and beyond to ensure a low environmental footprint is achieved. Furthermore, we continuously monitor our emissions when conducting operations and we are spending a significant portion of our research and development projects with the aim of reducing our environmental footprint.

Early 2020, the Lundin Petroleum (LUPE) board endorsed a new Decarbonisation Strategy, confirming our focus on oil and gas activities, while committing to find and support innovative ways to further reduce our exploration and production related carbon footprint, with a target to become carbon neutral by 2030. Our commitment is to reduce our carbon footprint to the lowest possible levels, through an effective combination of emission reductions, energy efficiency, targeted R&D and carbon capture mechanisms. The group will also invest in renewable energy projects to replace our net electricity consumption, providing that these projects generate a good rate of return on a leveraged basis.

Lundin Norway AS considers conservation of biodiversity as a key element of sustainable development. It is committed to the conservation of biological diversity, safeguarding ecosystems, species and genetic diversity. Environmental management is an integrated part of the Company's overall management system. As an operator on the Norwegian Continental Shelf, the company is strictly regulated from an environmental and safety point of view by Norwegian laws and regulations. Evaluation of potential environmental impacts is based on comprehensive knowledge of the affected area, type of activity and accessible technology as well as operational standards. Operational conditions may be imposed upon license awards, including periodical drilling restrictions, special monitoring, oil spill response measures and so forth. The Company does not have any activities or acreage in the International Union for Conservation of Nature protected areas. All of our activities on the NCS with potential for affecting the environment undergo public consultation and authority approval. Furthermore, all acreage is internally assessed with particular attention to areas in proximity of sensitive coastal habits, fish spawning and seabird breeding or feeding grounds, coral reefs, fisheries, etc. We conducted all our



activities with due considerations to the environment in accordance with established plans in 2019.

The Company invested NOK 111 million in research and development (R&D) in 2019. The main goal for the R&D is to maximize our value of existing business, preparing for operations in new operations in new environments and developing platforms for future business opportunities while minimising our environmental footprint. A large portion of the R&D investments have been used to focus on greenhouse gas reduction measures, for example participation in the LowEmission Research Centre and the Norwegian Carbon Capture and Storage (NCCS) project. The LowEmission Research Centre strives to pave the way for zero-emission petroleum production by 2050, improving the competitiveness of the Norwegian oil and gas industry, while the NCCS's objective is to fast-track CCS deployment through industry-driven, science-based innovation.

COUNTRY-BY-COUNTRY REPORTING

Upstream exploration and production companies are required to report payments to authorities. The group has issued a "Report on Payments to Governments", which is separate from the 2019 group consolidated financial statements and includes payments related to Lundin Norway AS. The Report on Payments to Governments is available on www.lundin-petroleum.com.

2019 AND THE OUTLOOK

2019 has been one of the most transformational periods in LNAS' development, one in which we achieved first oil from Johan Sverdrup and doubled our production while keeping our industry leading low operating cost. Alongside this we in 2020, also formalized our ambition to produce oil and gas in the most sustainable and efficient manner possible with LUPE's decarbonisation strategy, which targets carbon neutrality by 2030. The 2019 results was record setting. We delivered above expectations both in terms of high production and low cash operating costs, which including the 2.6% sale of Johan Sverdrup resulted in the highest operating cash flow, EBITDA and net result for the Company to date. These results were driven by continued strong facilities and reservoir performance from our core producing assets, the Edvard Grieg field and the Alvheim Area and commencement of production from Joan Sverdrup generated a production for 2019 that exceeded guidance. Exploration activity was high in 2019 and with the awards of new licences and inorganic activity the 2020 exploration activity is targeting net risked resources of 150 million boe.

Licence awards and transactions

LNAS continues to grow its exploration acreage position through licence rounds. In January 2019, the Company was awarded 15 licences in the 2018 APA licensing round, of which nine as operator. In January 2020, the Company was awarded 12 licences in the 2019 APA licensing round, of which seven as operator. Currently, the Company holds 88 licences in Norway, compared to 82 licences at the beginning of January 2019.

In January 2019, LNAS entered into a sales and purchase agreement involving the acquisition of Lime Petroleum's 30 percent working interest in each of PL338C and PL338E and 20 percent working interest in PL815, which contain the Rolvsnes and Goddo oil discoveries. The transaction increased the Company's working interest in each of PL338C and PL338E to 80 percent and in PL815 to 60 percent.

In June 2019, LNAS entered into a sales and purchase agreement involving the acquisition of a 10 percent working interest in each of PL896 and PL820S from Wintershall DEA. The transaction increased the Company's working interest to 40 percent in PL820S and to 30 percent in PL896.



In July 2019 the Company further entered into an asset transfer agreement to sell 2.6 percentage points of the Johan Sverdrup development project to Equinor for a cash consideration of MUSD 962 with an effective date of 1 January 2019, which includes a MUSD 52 contingent payment on future reserve attainment.

In December 2019, LNAS entered into a sales and purchase agreement with Wintershall DEA involving the acquisition of a 10 percent working interest in PL894, which includes the Balderbrå gas discovery and a 5 percent working interest in PL533 and PL533B. The transaction also includes options to acquire working interests in several other exploration licenses in the Vøring Basin where PL894 is located. The transaction is subject to customary government approvals and is expected to complete in the first quarter of 2020.

In December 2019, LNAS entered into a sales and purchase agreement with Neptune Energy Norge AS involving the acquisition of a 20 percent working interest in PL886 and PL886B. The transaction increased the Company's working interest to 60 percent in PL886 and PL886B. The transaction is subject to customary government approvals and is expected to complete in the first quarter of 2020.

Development

Johan Sverdrup

In 2019, NOK 4 980 million was capitalized as development assets on Johan Sverdrup. LNAS has a 20% share in the field. Phase 1 of the Johan Sverdrup project has been delivered below original capital budget, is on schedule with approximately 85 percent completed. Less than ten percent of the current Phase 1 capital estimate remains to be spent on final completion of the production facilities and on fifteen new Phase 1 platform development wells, to be drilled over the period from the first quarter of 2020 to 2023. The field commenced production 5 October 2019 which was ahead of plan November 2019.

The latest capital expenditure estimate for Phase 1 is gross NOK 83 billion (nominal) compared to the Phase 1 PDO estimate in 2015 of gross NOK 123 billion (nominal), representing a saving of over 30 percent, excluding additional foreign exchange rate savings in US dollar terms. The gross production capacity of Phase 1 is estimated at 440 Mbopd.

The Phase 2 PDO was submitted to the Norwegian Ministry of Petroleum and Energy in August 2018 and was approved in May 2019. Phase 2 involves a second processing platform bridge linked to the Phase 1 field centre, subsea facilities to allow for tie-in of additional wells to access the Avaldsnes, Kvitsøy and Geitungen satellite areas of the field and implementation of full field water alternating gas injection (WAG) for enhanced recovery. 28 wells are planned to be drilled in connection with the Phase 2 development. Phase 2 first oil is scheduled in the fourth quarter of 2022, which will take the gross plateau production capacity to 660 Mbopd. Full field breakeven oil price, including past investments, is estimated at below USD 20 per boe.

The Phase 2 capital expenditure is estimated at gross NOK 41 billion (nominal), which is unchanged from the Phase 2 PDO estimate and over a 50 percent saving from the original estimate in the Phase 1 PDO. The major topsides, jacket and Subsea Production System contracts, have been awarded. Construction has commenced on the second processing platform topsides and as well as the new modules to be installed on the existing Riser Platform. Phase 2 of the project is progressing to plan and is over 20 percent complete.

The field is being operated with power supplied from shore and will be one of the lowest CO₂ emitting fields in the world, with CO₂ emissions of below 1 kg per boe, about 20 times less than the world average. Post Phase 1 plateau, operating costs will be below USD 2 per boe.



Greater Edvard Grieg Area tie-back projects

The PDO for the Solveig Phase 1 project was approved by the Norwegian Ministry of Petroleum and Energy in June 2019. Solveig is the first Edvard Grieg subsea tie-back development and will contribute to keeping the Edvard Grieg platform filled to capacity for an extended time period. Phase 1 will be developed with three oil production wells and two water injection wells and will achieve gross peak production of 30 Mboepd, with first oil scheduled in the first quarter of 2021.

Solveig Phase 1 gross proved plus probable reserves are estimated at 57 MMboe. The capital cost of the development is estimated at MUSD 810 gross, with a breakeven oil price of below USD 30 per boe. The potential for further phases of development, which will capture the upside potential in the discovered resources, will be de-risked by production performance from Phase 1.

The production application for the Rolvsnes Extended Well Test (EWT) was approved by the Norwegian Ministry of Petroleum and Energy in July 2019. The Rolvsnes EWT project will be conducted through a 3 km subsea tie-back of the existing Rolvsnes horizontal well to the Edvard Grieg platform. The project is being implemented together with the Solveig project to take advantage of contracting and implementation synergies, with first oil scheduled in the second quarter 2021.

Both Edvard Grieg Area tie-back projects are progressing according to plan, with the Solveig Phase 1 project now over 20 percent complete and the Rolvsnes EWT project over 35 percent complete. All of the key contracts have been awarded and modifications at the Edvard Grieg platform commenced in May 2019.

Production

For fields in production, the company has invested NOK 1 107 million in 2019. Main investments are in the Johan Sverdrup field with NOK 327 million and NOK 300 million in the Edvard Grieg fields.

The Company produced 34.1 million barrels of oil equivalents (boe) in 2019. The Company's proven and probable reserves were end 2019 at 693 million boe.

Total cash operating cost for the year, including netting off tariff income, was USD 4.03 per barrel.

The production was comprised as follows:

Production in Mboepd	1 Jan 2019- 31 Dec 2019 12 months	1 Jan 2018- 31 Dec 2018 12 months
Crude oil	83.5	71.9
Gas	9.8	9.2
Total production	93.3	81.1

Production in Mboepd	WI ¹	1 Jan 2019- 31Dec 2019 12 months	1 Jan 2018- 31Dec 2018 12 months
Johan Sverdrup	20%	14.0	-
Edvard Grieg	65%	63.6	63.6
Ivar Aasen	1.385%	0.8	0.9



Alvheim	15%	9.1	9.3
Volund	35%	4.8	6.5
Bøyla	15%	0.9	0.7
Gaupe	40%	-	0.1
		93.3	81.1

¹ Lundin Norway AS working interest (WI)

Production from Johan Sverdrup Phase 1 commenced on 5 October 2019, which was at the front of the guidance range for first oil. Production has since ramped up quickly and ahead of expectations from the eight pre-drilled production wells and as at year end 2019 the field was producing around 350 thousand barrels of oil per day (Mbopd) gross, which is about 80 percent of the Phase 1 facilities capacity of 440 Mbopd. Initial reservoir performance is excellent and well productivities are above expectations. It will require the drilling of two new production wells to achieve Phase 1 plateau, the first of these commenced in January 2020 with the second expected on stream by the summer of 2020. The twelve pre-drilled water injection wells have been commissioned and water injection levels are more than supporting production offtake from the reservoir. The facilities have performed to a high standard, providing a production efficiency during the ramp-up phase above expectations at 94 percent. Operating costs for the Johan Sverdrup field were USD 2.40 per boe.

Production from the Edvard Grieg field was slightly ahead of forecast, supported by production efficiency ahead of guidance at 98 percent. Reservoir performance continues to exceed expectations; with limited water production and total well potential significantly higher than available facilities capacity. A three-well infill drilling programme planned to commence in 2020 has been sanctioned, providing increased reserves of 18 MMboe gross and taking the gross field ultimate proved plus probable reserves to 300 MMboe including historical production. The Rowan Viking jack-up rig, used to drill all the existing development wells has been contracted for the infill programme. Based on the field performance and the addition of the Solveig and Rolvsnes tie-back projects, the forecast plateau production period through the Edvard Grieg facilities has been extended to at least the end of 2022. During the second quarter 2019, a dual-branch exploration well made oil discoveries at Jorvik and Tellus East on the eastern edge of the Edvard Grieg field. Both areas can be accessed with wells drilled from the platform, with Jorvik the target of one of the planned wells in the first infill campaign. Operating costs for the Edvard Grieg field, including netting off tariff income, were USD 4.18 per boe.

The plan to fully electrify the Edvard Grieg platform has been finalised in conjunction with the Utsira High Area power grid that is being developed together with the Johan Sverdrup Phase 2 project. The Edvard Grieg electrification project, which will become operational late 2022, involves the retirement of the existing gas turbine power generation system on the platform, installation of electric boilers to provide process heat and installation of a power cable from Johan Sverdrup to Edvard Grieg. The project will result in a significant reduction in CO2 emissions from Edvard Grieg of approximately 3.6 million tonnes from 2022 to end of field life, taking CO2 emissions for the area to below 1 kg per boe, about twenty times lower than the world average. Additionally, the project will reduce operating costs, reduce carbon taxes and increase operating efficiency, which is partially offset by electricity power purchases from the grid.

Production from the Ivar Aasen field was in line with forecast. Two infill wells have been drilled during 2019, which are both producing in line with expectations.

Production from the Alvheim Area, consisting of the Alvheim, Volund and Bøyla fields, was slightly ahead of forecast. Production efficiency for the Alvheim Area FPSO was ahead of expectations at 97 percent. Two production wells came on stream during 2019, a sidetrack infill well at the Volund field and the two-branch Frosk test producer (which is produced through the Bøyla facilities). Both wells are producing in line with expectations. The Frosk well also included the drilling of two pilot holes, one of which tested the Froskelår North East prospect



making a small oil discovery. In the third quarter 2019, a three-branch pilot well aimed at de-risking infill well opportunities in the Alvheim field was drilled, overall results were above expectations and will lead to an infill well to be drilled in 2020. Operating costs for the Alvheim Area were USD 5.79 per boe.

Exploration and Appraisal

Exploration

The Norwegian Continental Shelf has a significant potential for future discoveries. Fifteen exploration wells were completed in 2019 yielding seven oil and gas discoveries and adding net resources of between 10 and 50 MMboe.

In 2019, NOK 1 928 million of exploration and appraisal costs were capitalized and impairments amounted to NOK 725 million. Capitalized exploration and appraisal expenses were NOK 4 298 million as at 31.12.2019.

In February 2019, the Gjøkåsen Shallow prospect in PL857 and the Pointer/Setter dual target prospect in PL767, both located in the southern Barents Sea, were drilled and both wells were dry.

In March 2019, the Froskelår Main prospect in PL869 in the Alvheim Area proved an oil and gas discovery. Froskelår Main will be evaluated as part of a potential joint development with the Frosk discovery.

In April 2019, the Gjøkåsen Deep prospect in PL857 in the southeastern Barents Sea, the Vinstra/Otta prospect in PL539 located in the Mandal High Area of the North Sea and the JK prospect in PL916 located in the north of the Utsira High Area of the North Sea, were all drilled and all three wells were dry.

In June 2019, the Korp fjell Deep prospect in PL859 in the southeastern Barents Sea was drilled and was dry.

In June 2019, the Jorvik and Tellus East prospects on the eastern edge of the Edvard Grieg field in PL338 proved two oil discoveries. At Jorvik, the well encountered oil in 30 metres of conglomerate reservoir of Triassic age with a thin, high quality sandstone above. This combination of conglomerate and sandstone reservoir types are also found on the southern and eastern part of Edvard Grieg. At Tellus East, the well encountered a gross oil column of 60 metres in porous, weathered basement reservoir. The combined gross resources of Jorvik and Tellus East are estimated to be between 4 and 37 MMboe and both can be developed with wells from the Edvard Grieg platform.

In June 2019, the Froskelår North East prospect was drilled as part of the Frosk test producer and proved an oil discovery. The discovery is estimated by the operator to contain gross resources of between 2 and 10 MMboe and is potentially commercial as part of a Frosk/Froskelår development.

In July 2019, the Lynghaug prospect in PL758 in the Norwegian Sea, and the Rumpetroll prospect in PL869 in the Alvheim Area, were drilled and both wells were dry.

In August 2019, the Goddo prospect in PL815 located on the Utsira High was drilled and proved an oil discovery. The main objective of the well was to prove oil in porous basement similar to what is found in the Rolvsnes discovery located to the northwest. The Goddo well encountered weathered and fractured basement with an estimated gross oil column of 20 metres, with reservoir of similar characteristics as found in Rolvsnes, but the two discoveries are not connected. Gross resources at Goddo are estimated to be between 1 and 10 MMboe, with further upside potential in the larger Goddo area and surrounding prospective basement. The results



from the Rolvsnes EWT will provide important reservoir performance data in relation to the commercialisation of the wider basement opportunity on the Utsira High.

In October 2019, the Gladsheim prospect in PL921 in the Northern North Sea was drilled and was dry.

In November 2019, the Toutatis prospect in PL896 in the Norwegian Sea was drilled and made a minor non-commercial oil and gas discovery.

In November 2019, drilling started on the Evra/Iving prospects in PL820S, located east of Alvheim in the North Sea. The dual target well is testing the injectite sandstone reservoir of the Evra prospect and further below, the Jurassic/Triassic reservoirs of the Iving prospect.

In January 2020, the Enniberg prospect in PL917 east of the Alvheim Area in the North Sea was drilled and made a minor non-commercial oil and gas discovery. Following which the Hasselbaink prospect in the same license was drilled and was dry.

Appraisal

In July 2019, an appraisal well was completed on the Lille Prinsen oil discovery made in 2018 in PL167 located in the Utsira High Area of the North Sea. The appraisal well was drilled 1 km west of the discovery well in the downdip Outer Wedge area, making an oil discovery. Other segments of Lille Prinsen are being evaluated for further delineation. Following the extended well test on the Alta discovery in 2018 and the acquisition of a new 3D seismic (Topseis), the contingent resource estimate for the Alta discovery has been adjusted downwards. A standalone development of the Alta and nearby Gohta discoveries is no longer considered to be commercial, and a subsea tie-back development to either Johan Castberg or another future host development in the area is considered the most viable option. Lundin Petroleum is drilling several large prospects in the Loppa High Area in 2020, which if successful could change the dynamic of commercial options for this area.

In January 2020, drilling commenced on the Balderbrå appraisal well in PL894, an emerging area of the Norwegian Sea with material gas prospectivity. Balderbrå is estimated to contain gross resources of 110 MMboe in Cretaceous sandstone reservoirs and the multi-branch appraisal well is aimed at further delineating the discovery.

FINANCIAL RISK

Market risk

In addition to the fluctuation in oil prices, the Company is exposed to foreign exchange risk especially against the US dollar, since a major portion of the Company's income is in US dollars. The Company has not entered into contracts to reduce the risk associated with fluctuations in the oil price.

The Company is also exposed to interest rate risk, since the Company's debt is priced in floating rates. Furthermore, changes in interest rates may affect future investment opportunities.

Credit risk

The Company's sales are made to well recognized and financially robust companies. The likelihood of counterparties not having the financial strength to meet their commitments is regarded as minor.

Liquidity

The Company has a strong positive cash flow from the fields and considers its liquidity to be satisfactory. In addition the Company has access to an internal Group credit line. The Company



has a loan facility with Lundin Petroleum Holding B.V. of USD 4 550 million. Lundin Petroleum Holding B.V. entered in 2016 into a committed seven year senior secured revolving credit facility of up to USD 5.0 billion. The loan agreement secures that the Company has sufficient liquidity to execute plans and budgets.

FINANCIAL INFORMATION/ALLOCATION OF RESULTS

It is the Board's opinion, that the presented Annual Accounts for 2019 correctly represent the Company's assets and liabilities, its financial standing and results.

No events have occurred subsequent to the balance sheet date that may impact the reported financial statements.

The Company's income from the sale of oil, gas and NGL in 2019, was NOK 18 357 million, compared to NOK 16 821 million in 2018. The increased revenue is due to higher sales volumes. The production in 2019 was 34.1 million barrels of oil equivalents (boe), 4.5 million boe higher than in 2018. The average price per boe was NOK 540 in 2019, a reduction of NOK 11 compared to 2018.

Production expenses including maintenance, tariffs, processing and insurance were NOK 1 675 million.

The company's exploration expenses of NOK 1 329 million are mainly related to drilling of exploration and appraisal wells and including the impairment of PL533 Filicudi and PL492 Gotha.

The impairment testing shows that the recoverable amount for all licenses in the development and production phase is higher than the carrying amount.

The operating gain in 2019 was NOK 17 665 million as compared to an operating gain of NOK 10 657 million in 2018. The main contributor is a gain of NOK 6 799 million for the sale of 2.6% of Johan Sverdrup unit. This year's net financial items were NOK - 625 million against NOK -539 million for 2018.

In 2019, the Company recorded a tax expense of NOK 8 190 million. In 2018 the tax expense was NOK 7 458 million. Taxes payable at the end of the year amounted to NOK 2 994 million, in 2018 tax was NOK 635 million.

Net income for the year amounted to NOK 8 850 million against a net income in 2018 of NOK 2 660 million.

Cash used for investment activities in 2019 amounted to NOK 757 million, against NOK 8 184 million in 2018. Net cash from operational activities in 2019 were NOK 13 248 million against NOK 14 251 million in 2018. Cash and cash equivalents per 31.12.2019 were NOK 69 million against NOK 122 million per 31.12.2018. The Company is well positioned to finance its own investments through cash flow from operation and access to the loan facility of the Group. The debt to the parent company has decreased from NOK 21 890 million to NOK 20 646 million in 2019. The Company paid dividends of NOK 11 300 million to the parent during 2019.

The Company's equity per 31.12.2019 was NOK 2.1 million against NOK 4.6 million per 31.12.2018. Short-term debt was per 31.12.2019 NOK 5.2 million and NOK 2.5 million in 2018. The main change is increase in income tax liability. Long-term debt inclusive liabilities were NOK 40.9 million per 31.12.2019 against NOK 37.8 million per 31.12.2018 and main change was deferred tax liabilities.



Allocation of profit/coverage of loss

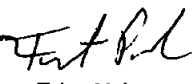
The board's proposal to the Annual General Assembly is that the net profit after tax of NOK 8 850 millions to be allocated to other equity. A dividend of NOK 11 300 million has been distributed earlier in 2019. Following the Board's proposal for distribution of this year's profit, the equity constitutes NOK2 129 million against NOK 4 579 million for the previous year.

Oslo, March 6th 2020



Alexandre Jean Marie Schneiter

Chairman of the Board



Teitur Nolsæ Poulsen

Board member



Kristin Færøvik

MD and Board member



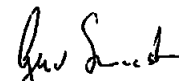
Nicholas John Robert Walker

Board member



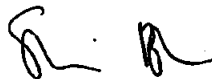
Kjersti Ingh

Board member



Geir Smaaskjær

Board member



Stian Blom

Board member



To the General Meeting of Lundin Norway AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lundin Norway AS, which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in

*PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm*



Independent Auditor's Report - Lundin Norway AS

accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

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 level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

Report on Other Legal and Regulatory Requirements

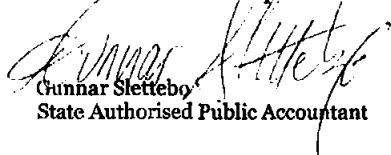
Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 6 March 2020
PriceWaterhouseCoopers AS


Gunnar Slettebo
State Authorised Public Accountant

(2)

**Lundin Norway AS****Statement of Cash flows (in NOK 1,000)**

	Note	2019	2018
Operating activities			
Net income before tax		17 039 992	10 117 879
Adjustment for financial items	6	1 131 258	1 158 899
Interest received	6	11 996	8 998
Interest paid		-802 498	-864 422
Taxes received/-paid	7	-1 159 266	-120 000
(Gains)/Losses on sale of assets and other items	2	-6 798 875	-1 956
Depreciation, amortisation and impairment	8	4 460 259	3 427 110
Decommissioning payments	16	-33 162	-14 832
Expensed dry wells, capitalised previous periods	8	938 586	389 031
Change in spare parts	9	-15 257	-45 547
Change in trade receivables	11	332 824	-216 995
Change in other short-term receivables/liabilities	11	-1 857 695	412 474
Net cash flow from in operating activities		13 248 162	14 250 639
Investing activities			
Investment in assets	8	-8 679 577	-7 801 105
Purchase of assets	8	-462 055	-384 661
Disposal of assets	2	8 384 839	1 956
Net cash used in investing activities		-756 793	-8 183 810
Financial activities			
Net changes internal credit facilities	15	-1 244 711	-3 890 768
Dividends paid	14	-11 300 000	-2 158 000
Net cash flow used in/(from) financing activities		-12 544 711	-6 048 768
Net changes in cash and cash equivalents		-53 342	18 061
Cash and cash equivalents at 1 January		121 895	106 176
Net foreign exchange difference on cash and cash equivalents		408	-2 341
Cash and cash equivalents at 31 December		68 961	121 895



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 02.02.2015	Vår dato 09.02.2015
Telefon 22078139	Deres referanse Jan Nagell	Vår referanse 2015/86890

LUNDIN NORWAY AS
Postboks 247
1326 LYSAKER

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Lundin Norway AS, org. nr. 986 209 409

Vi viser til deres brev av 2. februar 2015 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Lundin Norway AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Lundin Norway AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Lundin Norway AS er 100 % eiet av Lundin Petroleum B.V., et selskap hjemmehørende i Nederland. Det ultimate holdingselskapet er Lundin Petroleum AB, som er et svensk børsnotert foretak. Lundin Norway AS inngår i konsernregnskapet til Lundin Petroleum AB. Lundin Petroleum sitt hovedkontor befinner seg i Genève. Selskapet opererer innen oljebransjen. Arbeidsspråket er engelsk. Styret har flere engelskspråklige styremedlemmer. Selskapet opererer i en internasjonal bransje. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *“informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er datterselskap til et utenlandsk selskap. Eierkretsen er begrenset. Arbeidsspråket er engelsk. Styret har flere engelskspråklige styremedlemmer. Videre er det vektlagt at selskapet driver virksomhet i en bransje der alle sentrale aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



Lundin Norway AS
Notes to the Financial Statements 2019

Note 1 Significant Accounting Policies

The Financial Statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The Statutory Accounts are presented in Norwegian kroner (NOK) and are prepared on an historical cost basis.

Joint operations

Interests in joint operations are recognised by including Lundin Norway's ("the Company") share of assets, liabilities, income and expenses on a line-by-line basis.

As an operator of joint operations, the Company is accounting for indirect operating expenses such as personnel expenses and administration expenses in cost pools, and allocating to licences based on hours incurred. Only Lundin Norway's share of the income statement and balance sheet items related to the joint operations are reflected in the Company's income statement and balance sheet.

Foreign currency

The accounting currency of Lundin Norway is Norwegian kroner (NOK). Transactions in currencies other than the accounting currency are translated into NOK by applying the exchange rates at the transaction date. Foreign exchange gains/losses resulting from the settlement of such transactions are recognised in the income statement under financial items. Monetary items denominated in foreign currencies are translated into NOK at the exchange rates on the balance sheet date. The resulting foreign exchange differences are recognised in the income statement.

Classification

An asset or liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it falls due within 12 months, or when it consists of cash or cash equivalents on the balance sheet date. Other items are non-current.

Principles of revenue recognition

Revenues associated with the sale and transportation of petroleum products are recognised when risk passes to the customer, which is normally when title passes at the point of delivery of the goods, based on the contractual terms of the agreements.

Revenues from the production of oil and gas properties, in which the Company has an interest with other companies, are recognised on the basis of volumes lifted and sold to customers during the period. Over/under lifting occurs when the Company has extracted and sold more or less hydrocarbons out of the production from a producing field than the Company was entitled to at the time of lifting. Such over/under-lift is recorded in operating cost valued at production cost including depletion. Where the Company has lifted and sold less than the ownership interest, a receivable is recorded for the under-lift. Where the Company has lifted and sold more than the ownership interest, the over-lift is recognised as a liability.

Production expenses

Production expenses are costs which can be directly ascribed to the production of hydrocarbons, such as costs incurred in the operation and maintenance of production facilities and installations. Change in over/underlift is included in production expenses.

Exploration and evaluation expenses

Exploration and evaluation expenses are accounted for in accordance with the "successful efforts method" (SE).



Lundin Norway AS Notes to the Financial Statements 2019

Exploration costs will for example include the costs of topographical and geophysical studies (G&G), costs related to un-developed areas, costs of drilling of exploration/exploration appraisal wells, evaluation costs. The main principle according of SE-method of accounting is that these costs are expensed as they incur, with the exception of exploration drilling costs. Costs related to drilling of exploration wells are temporarily capitalised pending the evaluation of the potential existence of oil and gas reserves. If reserves are not found, or if discoveries are assessed not to be commercially recoverable, the drilling costs of exploration wells are expensed as exploration expenses.

Impairment tests are performed annually or when there are facts and circumstances that suggest that the carrying amount of the asset may exceed its recoverable amount. Exploration expenses may remain capitalised under conditions where firm plans exist for future drilling in the licence, or where a development decision is planned for the near future.

At farm-in agreements where for example the Company has agreed to cover a portion of the selling partners' exploration costs, the exploration costs are accounted for by the Company in accordance with the successful efforts method.

Development of oil and gas properties

Exploration expenditure related to oil and gas prospects are transferred to assets under development at the time of sanctioning of the development project. The exploration assets are assessed for impairment before reclassification.

All costs of developing commercial oil and/or gas fields are capitalised, including interest and direct costs. Capitalised development costs are classified as tangible assets.

Pre-operating costs are expensed in the period in which the costs are incurred.

Oil and gas fields in production

When a field commence the production of oil and gas, the capitalised costs for the oil and gas properties, including reclassified exploration costs and all development costs, are depreciated using the unit-of-production method.

Oil and gas properties are assessed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indications of impairment may be a decline in the oil price, technological development, changes in future investments or changes in reserve estimates, or internal factors like the Company's intention for further use, running costs, tear and wear.

For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Such cash-generating units (CGUs) may consist of one or several oil and gas fields, dependant on ability to separate cash flows from the fields. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the higher of the asset's net selling price and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. Cash flows are discounted using a discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset.

A previously recognised impairment loss is reversed through the income statement only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss reversal is recognised in the income statement as a reversal of previous expensed values. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no



Lundin Norway AS
Notes to the Financial Statements 2019

impairment loss had been recognised. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value.

Income taxes

The components of tax are current and deferred. Tax is recognised in the income statement, except to the extent that it relates to items recognised in equity. Current tax is tax that is to be paid or received for the year in question and also includes adjustments of current tax attributable to previous periods.

Deferred income tax is a non-cash charge provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values. Temporary differences can occur for example where investment expenditure is capitalised for accounting purposes but the tax deduction is accelerated, or where site restoration costs are provided for in the financial statements but not deductible for tax purposes until they are actually incurred.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Tax is determined using tax rates that have been enacted or substantively enacted on the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Companies engaged in petroleum exploration, development and production as well as pipeline transportation on the Norwegian Continental Shelf are subject to the Norwegian petroleum taxation regime. Under this regime, a Special Petroleum Tax (SPT) on profits is attributable. The special petroleum tax rate is 56% for 2019. The special tax is applied to relevant income in addition to the ordinary offshore income tax, which was levied at 22% for 2019, resulting in a steady 78% marginal tax rate on income subject to petroleum tax.

The basis for computing the special petroleum tax is the same as for income subject to ordinary income tax, except for onshore losses which are not deductible against the special petroleum tax. In addition, a tax-free allowance (uplift), is granted. The uplift allowance was reduced from 7.5% to 5.5% per year as at May 5th 2013, and has been further reduced in line with the increase of the SPT rate. For investments after 1st January 2019, the uplift rate is 5.2%. However, during an interim period, certain fields are applicable for the 7.5% uplift rate per year. The uplift is computed on the basis of the original capitalised cost of offshore production installations. The uplift may be deducted from taxable income for a period of four years, starting from the year in which the capital expenditures incurred. Uplift benefit is recorded in the year of investment. Unused uplift may be carried forward indefinitely, with an annual interest addition.

Financial expenses related to interest-bearing debts are distributed between onshore and offshore income. The tax allowance is calculated as net financial expenses related to interest-bearing debt multiplied by 50% of the ratio between the tax value of the offshore-assets and average interest-bearing debt. The remaining net financial expenses are allocated to onshore, and if no other onshore income, these are reallocated back to the offshore ordinary tax basis.

Deferred tax assets relating to petroleum activity on the Norwegian Continental Shelf are not dependent on continued operation of the Company. The tax effect of any unused tax losses carried forward, including interest on the balance, related to the Norwegian Continental Shelf will be refunded to the Company in cash when the offshore activity has ceased. There is no time limit associated with the right to carry forward tax losses in Norway.

Property plant and equipment



Lundin Norway AS Notes to the Financial Statements 2019

Property, plant and equipment include production facilities, assets under construction, spare parts and machinery and equipment. Items of property, plant and equipment are measured at historical cost, less accumulated depreciation and any accumulated impairment charges.

Cost includes purchase price or construction cost, and any costs directly attributable to bringing the assets to a working condition for their intended use.

The costs of replacing a component of an item of property, plant and equipment, such as repairs or maintenance, are normally expensed during the financial period in which they are incurred. Additional costs to existing assets are included in the assets net book value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The net book value of any replaced parts is written off.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amounts of the property, plant and equipment. Gains and losses on disposal of property, plant and equipment are recorded in the income statement. Transactions on the Norwegian continental shelf is normally settled on an after tax basis. Deferred tax related to sale of oil and gas properties is classified together with loss/gain from sale of assets in the Income Statement.

Once production on a field commences, the field is re-classified from development assets to producing assets. Inventories of spare parts and drilling equipment are valued at the lower of purchase cost and net sale value. Spare parts are normally not depreciated prior to reclassification to production facility. The net capitalised costs to the reporting date, including reclassified exploration costs and all development costs, decommissioning and dismantling costs, are depreciated using the unit-of-production method. Depletion of the field area is charged to the income statement once the production commences, based on the year's production in relation to estimated total proved and probable reserves of oil and gas. Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimates.

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

Other property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is based on cost and is calculated on a straight line basis over the estimated economic life. Estimated useful economic life is 3-5 years for machinery and equipment. The Company assesses other property, plant and equipment for impairment at each balance sheet date. Depreciation methods, useful lives, residual values and reserves are reviewed and adjusted if appropriate.

Assets under construction are not depreciated until the asset is in operation.

Farm-in/farm-out agreements

A farm-in/farm-out agreement involves a situation where a licence owner transfers all or a portion of its working interest to another party and the buyer commits to carry a portion of seller's exploration, and/or development costs in return. Typically, the buyer is taking over a licence interest in return for a share of the seller's expenses related to the drilling of a well. The Company accounts for such farm-in agreements on a historical cost basis, as the fair value is often difficult to determine.



Lundin Norway AS
Notes to the Financial Statements 2019

In accordance with the purchase agreement, there is a pro & contra settlement at the completion date, settling the costs in the period between the effective date and the completion date of the agreement. Normally there are no gains or losses incurring related to the settlement. As a buyer, the Company is recognising the exploration, drilling and development costs as incurred, in accordance with the "Successful efforts method". There are no accruals for future expenditures in farm-in/out agreements in the exploration phase.

Operating lease payments

Leases in which most of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Trade receivables and other receivables

Trade receivable and other receivables are initially recognised at fair value. In connection with the sale of goods and services fair value will generally coincide with invoiced amount.

Bad debt provisions are recognised when there are objective indications that the Company will not receive settlement in accordance with the original terms.

Over/under-lifting of hydrocarbons

Over-lifting of hydrocarbons is presented as current liabilities, valued at production cost including depletion. Under-lifting of hydrocarbons is presented as current receivables and valued at lowest of production cost included depletion and market value.. The change in the over/under-lift position is reflected in the income statement as production cost.

Cash and cash equivalents

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

Share capital and share premium

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are recognised directly in equity.

Pensions

The Company has a contribution based pension scheme under which the Company pays fixed contributions. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense once they are due.

Provisions

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

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



Lundin Norway AS Notes to the Financial Statements 2019

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

The discount rate used reflects the current general level of interest rates. Liabilities are recognised when they arise and are adjusted continually in accordance with changes in requirements, price levels, etc.

Contingent liabilities and assets

Contingent liabilities are defined as:

- possible obligations that arise from past events, whose existence depend on future events
- obligations which have not been recognised because it is not probable that they will result in a payment.
- the amount of the obligation cannot be measured with sufficient reliability.

Specific mention of material contingent liabilities is disclosed, with the exception of contingent liabilities where the probability of the liability is remote.

Contingent assets are not recognised in the financial statements but are disclosed if there is a certain probability that a benefit will accrue to the Company.

Cash flow statement

The cash flow statement is prepared by using the indirect method.

Events after the balance sheet date

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

Critical accounting estimates and judgements

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

a) Hydrocarbon reserve and resource estimates

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



Lundin Norway AS
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b) Impairment of oil and gas properties

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

c) Provision for future decommissioning and removal expenditures

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

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

d) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The calculated taxes are based on judgements and understanding by the Company regarding items allowable for tax deduction, and the view may differ from the Norwegian Authorities' practice in the final settlement of the tax refund.

The Company's information about significant areas of estimation uncertainty is included in the following notes:

- Property, plant and equipment in note 8 and future abandonment provisions in note 16.
- Depreciation of property, plant and equipment (production equipment) in Note 8.



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Notes to the Annual Financial Statements

Note 2 Major transactions during 2019

In 2019 the following transactions were completed:

The Company divested a 2.6 percentage working interest in the Johan Sverdrup field to Equinor with an effective date of 1 January 2019 and a completion date of 31 August 2019. The transaction resulted in a net gain after tax of NOK 6.799 million.

Cash consideration	8 245 803
Interest	139 035
Interim period revenue/cost related to transaction	
Net book value	(2 414 963)
Gain on sale of asset	5 969 875
Tax value on sale of asset	829 000
Gain from sale of assets	6 798 875

In January 2019, the Company was awarded 15 licences in the 2018 APA licensing round, of which nine are as operator.

In January 2019, the Company entered into a sales and purchase agreement involving the acquisition of Lime Petroleum's 30 percent working interest in each of PL338C and PL338E and 20 percent working interest in PL815, which contain the Rolvsnes and Goddo oil discoveries. The transaction increased the Company's working interest in each of PL338C and PL338E to 80 percent and in PL815 to 60 percent. The transaction involved a cash consideration payable to Lime Petroleum and was completed in May 2019, with economic effect from 1 January 2019.

In June 2019, the Company entered into a sales and purchase agreement involving the acquisition of a 10 percent working interest in each of PL896 and PL820S from Winterhall DEA. The transaction increased the Company's working interest to 40 percent in PL820S and 30 percent in PL896.

In July 2019, the Company entered into an asset transfer agreement to sell 2.6 percentage points of the Johan Sverdrup development project to Equinor for a cash consideration of MUSD 962 with an effective date of 1 January 2019, which includes a MUSD 52 contingent payment on future reserve attainment. The asset transaction was completed on 30 August 2019.

In December 2019, the Company entered into a sales and purchase agreement with Wintershall DEA involving the acquisition of a 10 percent working interest in PL894, which includes the Balderbrå gas discovery and a 5 percent working interest in PL533 and PL533B. The transaction also includes options to acquire working interests in several other exploration licenses in the Vørning Basin where PL894 is located. The transaction was completed in February 2020, with economic effect from 1 January 2020.

In December 2019, the Company entered into a sales and purchase agreement with Neptune Energy Norge AS involving the acquisition of a 20 percent working interest in PL896 and PL886B. The transaction increased the Company's working interest to 60 percent in PL896 and PL886B. The transaction was completed in February 2020, with economic effect from 1 January 2020.

In January 2020, the Company was awarded 12 licenses in the 2019 APA licensing round, of which seven are an operator.

Currently the Company holds 90 licences, which is an increase of approximately 35 percent from the beginning of 2019.

Note 3 Revenue and segment reporting

In NOK 1,000	2019	2018
Operating revenues, oil sales	17 173 230	15 242 964
Operating revenues, gas and NGL sales	1 183 938	1 577 972
Tariff revenue 1)	239 000	239 100
Gain from sale of assets	6 798 875	1 957
Other income	33 461	37 952
Total operating revenues	25 428 504	17 099 945

1) see note 4

The company's activity are entirely related to exploration, development and production of oil, NGL and gas. The company's activities are considered to have a homogeneous risk and rate of return before tax and are therefore considered as one operating segment. Sales are mainly made to the Lundin Petroleum Marketing SA, based in Switzerland.

Note 4 Production and transportation expenses

Tariff income is received on the Alvhheim field, whilst tariff is paid on the Volund and Bøyla fields. As the Company's ownership share is 35 percent in the Volund field and 15 percent in the Alvhheim field and the Bøyla field, a net expense is recorded in production expenses for the year. Volund receives tariff payment from the Alvhheim field for Viper-Kobra hydrocarbons. The Edvard Grieg oil pipeline and Utsira High gas pipeline receives tariff income from the Edvard Grieg field and the Ivar Aasen unit. The Edvard Grieg field receive tariff income from the Ivar Aasen unit.

Gross revenue from tariffs is NOK 523.7 million in 2019. The net tariff revenue is NOK 239.0 million. Gross tariff cost is NOK 656.4 million. Net Tariff cost is NOK 371.7 million.

Note 5 Remunerations

In NOK 1,000	2019	2018
Salaries	565 217	550 966
Social security tax	104 254	100 106
Pension costs	66 882	62 747
Other benefits	116 567	113 015
Reclassification to exploration/production expenses and oil and gas properties	(832 299)	(804 479)
Payroll and payroll related costs	20 621	22 355

Average no. of employees: 387 367



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In NOK 1,000	2019	2018
Rent, electricity, cleaning	56 493	52 220
External services	96 473	73 742
Computer expenses	65 712	67 789
Office expenses	7 592	9 537
Travel	2 708	2 936
Other expenses	14 795	17 813
Reclassification to exploration/production expenses and oil and gas properties	(177 407)	(159 103)
Other operating expenses	66 366	64 934

Remuneration to Executive officers in 2019 (in NOK 1,000)

	Salary ¹⁾	Cash bonus	Long term incentive plan
Managing director	3 750	2 079	10 067

¹⁾ Salaries consist in addition of pension NOK 162 and other remuneration NOK 26

Remuneration to the Board of Directors

NOK 45,000 was paid in remuneration to the Board in 2019. NOK 15,000 to each employees' representative Board Member. No change in remuneration from 2018.

Remuneration to Executive officers in 2018 (in NOK 1,000)

	Salary ¹⁾	Cash bonus	Long term incentive plan
Managing director	3 822	-	11 340

¹⁾ Salaries consist in addition of pension NOK 157 and other remuneration NOK 21.

Auditor's remuneration

In NOK 1,000	2019	2018
Auditor's fee	2 574	2 334
Other assurance services	82	166
Other advisory services	107	50
Total auditor's remuneration	2 763	2 550

Salaries and other remuneration related to participation in licences

Salaries charged to the Company's income statement through licences where the Company has an ownership share but is not an operator, are not classified as salaries but are included in exploration and production expenses or capitalised as part of developments.

Pensions

Lundin Norway is subject to the law about mandatory membership in the Norwegian Pension Scheme. All employees in the Company are members of a contribution-based pension scheme. In 2019 and 2018 the contributions made by the Company for pensions and pension insurance amounted to NOK 61.3 million and NOK 57.5 million respectively. The Company's pension commitments are limited to the annual contributions made.

Severance pay

In 2014, through its membership in the NHO employer organisation, the Company joined the collective agreement "Sluttederlagsavtalen". This agreement ceased 31.12.2018. A new agreement "Sliterordningen", started with effect from 01.01.2019. Employees that have retired with AFP, and have no other income, will be entitled to extra payment.

Sharebased payments

No employees have share option agreements in Lundin Norway AS, however the employees have long term incentive plans (LTIP) with the ultimate parent company. The participants are granted a number of "units" annually. The units may subsequently be translated to cash awards. The awards are determined by the ultimate parent company share price and are paid out over a period of 3 years. The amount in cash will be determined at the end of each vesting period, by multiplying the number of "units" with the share price.

The long term incentive plan is valued at market price and is included in salaries in the Income statement. The changes in value of the LTIP are recognised in the Income statement over the 3 year period, so that the accumulated cost over the vesting period corresponds to the value of the LTIP on the maturity date.

The Company is liable to social security tax on the gains resulting from the programme, hence an accrual has been made in the Annual financial statements, calculated on basis of the difference between the exercise price and the market price of the shares on 31 December.

The "units" granted are conditional upon the employee's employment with the Company on the date of the cash settlement.

Performance Based Incentive Plan

A selected group of participants at executive and senior management level is members of the Incentive Plan. Each participants receive whole shares after 3 years subject to continued employment and performance. Performance is measured by relative Total Shareholder Return (TSR) against a peer group of other oil companies.

Note 6 Financial items

In NOK 1,000	2019	2018
Financial income		
Interest income	11 996	8 998
Other financial income	44	64
Total Financial income	12 040	9 061
Financial expenses		
Interest expense	-424 670	-502 701
Other interest expense	-17 173	-12 233
Other financial expenses	-10 018	-18 137
Interest accretion on decommissioning liability	-157 184	-133 480
Total Financial expenses	-609 045	-666 551



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Foreign Exchange gain/-loss		
Realised foreign exchange gain	217 986	290 569
Realised foreign exchange loss	-197 574	-212 456
Unrealised foreign exchange gain/-loss	-48 624	40 570
Net foreign exchange gain/-loss	-28 212	118 683

Total financial items	-625 216	-538 807
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Note 7 Tax

a) Tax expense for the period

in NOK 1,000	2019	2018
Current tax	3 503 417	731 453
Current tax previous years	14 142	23 395
Changes in deferred tax	4 672 630	6 703 016
Tax expense for the period	8 190 189	7 457 864

Current tax at 1 January	635 375	527
Current tax paid	-1 159 266	-120 000
Tax payable	3 517 558	754 848
Current tax / (tax receivable) at 31 Dec	2 993 667	635 375

b) Effective tax rate

in NOK 1,000	2019	2018
Income before tax	17 039 992	10 117 879
Company tax	3 748 798	2 327 112
Special petroleum tax	9 542 396	5 564 833
Tax effect of uplift	-677 940	-635 793
Net financial revenue/expense onshore	140 783	218 706
Tax effect of permanent differences	-4 692 318	10 905
Interest on loss carry forward	0	-14 031
Adjustment prior years	128 469	41 988
Change in tax rate	0	-55 855
Total tax expense for the period *	8 190 189	7 457 864

Effective tax rate (incl. change in deferred tax)	48,1 %	73,7 %
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c) Deferred tax

The tax effect of temporary differences:

in NOK 1,000	2019	2018
Fixed assets	20 728 763	17 784 203
Earned and future uplift	-1 014 472	-2 775 412
Other long-term items (receivables, decommissioning, etc.)	-3 840 820	-3 169 403
Other short-term items	172 343	352 786
Total deferred tax	16 045 813	12 202 183



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Note 8 Property, plant and equipment

In NOK 1,000	Capitalised exploration costs and licence rights	Development assets	Production assets	Oil and gas fields Total	Machinery and office equipment	Total
Acquisition cost at 31 Dec 2018	4 957 871	22 030 385	36 040 903	63 029 160	188 690	63 217 850
Additions	1 928 466	6 256 015	1 106 710	9 291 190	16 556	9 307 746
Purchase	424 625	37 430	-	462 055	-	462 055
Expensed capitalised wells previous periods	-938 586	-	-	-938 586	-	-938 586
Disposal ¹⁾	-	-2 502 478	-	-2 502 478	-	-2 502 478
Reclassified to production assets and development assets ²⁾	-1 242 206	-20 786 131	22 028 337	-0	-	-0
Acquisition cost at 31 Dec 2019	5 130 170	5 035 220	59 175 950	69 341 340	205 246	69 646 586
Accumulated depreciation at 31 Dec 2018	-	-	15 130 339	15 130 339	154 354	15 284 693
Depreciation	-	-	3 544 640	3 544 640	19 811	3 564 451
Accumulated depreciation at 31 Dec 2019	-	-	18 674 979	18 674 979	174 165	18 849 144
Accumulated impairment at 31 Dec 2018	107 117	-	5 577 206	5 684 323	-	5 684 323
Impairment ³⁾	725 373	-	170 435	895 808	-	895 808
Accumulated impairment at 31 Dec 2019	832 490	-	5 747 641	6 580 131	-	6 580 131
Net book value at 31 Dec 2019	4 297 680	5 035 220	34 753 330	44 086 230	31 081	44 117 311
Depreciation plan:	3)		Unit of production		Linear, 3-5 years	

Impairment in 2019:

Impairment testing as at 31 December was carried out in conjunction with the annual reserve audit process and the value of each cash generating unit (CGU) was assessed on an after tax basis. The applicable oil price for 2020 and 2021 is the Brent forward curve as at year end 2019 with average prices of \$64/bbl and \$59/bbl, respectively. From 2022 the ERCE long term forecast for oil price has been applied. A post-tax discount rate of 8 percent and NOK/USD exchange rate of 8.75 in 2020 and 8.5 thereafter has been applied in the year-end impairment testing.

The calculation shows that the recoverable amount for production-, development- and exploration licenses is greater than the carrying amount for all assets except PL492 Gotha, PL533 Fillicudi, PL148 Brynhild and PL292 Gaupe. The Impairment's related to PL492 and PL533 amounts to 725.4 million. Due to increased future removal estimates, the Company has written off NOK 139.6 million on Brynhild and NOK 30.8 million on Gaupe field in 2019.

In NOK 1,000	Capitalised exploration costs and licence rights	Development assets	Production assets	Oil and gas fields Total	Machinery and office equipment	Total
Acquisition cost at 31 Dec 2017	3 473 806	16 207 372	34 810 576	54 491 756	164 716	54 656 471
Additions	1 511 897	5 823 013	1 206 865	8 541 775	23 974	8 565 749
Purchase	384 661	-	-	384 661	-	384 661
Expensed capitalised wells previous periods	-389 031	-	-	-389 031	-	-389 031
Reclassified to production assets	-23 462	-	23 462	-	-	-
Acquisition cost at 31 Dec 2018	4 957 871	22 030 385	36 040 903	63 029 160	188 690	63 217 850
Accumulated depreciation at 31 Dec 2017	-	-	11 773 044	11 773 044	134 442	11 907 486
Depreciation	-	-	3 357 295	3 357 295	19 912	3 377 207
Disposals	-	-	-	-	-	-
Accumulated depreciation at 31 Dec 2018	-	-	15 130 339	15 130 339	154 354	15 284 693
Accumulated impairment at 31 Dec 2017	107 117	-	5 527 303	5 634 420	-	5 634 420
Impairment ³⁾	-	-	49 903	49 903	-	49 903
Relinquished/Disposals	-	-	-	-	-	-
Accumulated impairment at 31 Dec 2018	107 117	-	5 577 206	5 684 323	-	5 684 323
Net book value at 31 Dec 2018	4 850 754	22 030 385	15 333 359	42 214 498	34 336	42 248 834
Depreciation plan:			Unit of production		Linear, 3-5 years	

1) 2.6% sale of Johan Sverdrup Unit to Equinor.

2) Johan Sverdrup Unit was reclassified to production assets at start of production in October 2019 and Solveig field reclassified to development.

3) Impairment tests are carried out on basis of the expected proved and developed (2P) hydrocarbon reserves and resources.



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Note 9 Spare parts

In NOK 1,000	2019	2018
Spare parts and drilling equipment	303 653	288 396

Note 10 Trade receivables and Trade payables

Current Assets		
In NOK 1,000	2019	2018
Trade receivables	162 024	494 848
Trade receivables intercompany	2 512 483	789 262
Total trade receivables	2 674 507	1 284 110

Current liabilities		
In NOK 1,000	2019	2018
Trade payables	522 590	506 595
Trade payables intercompany	35 710	32 349
Total trade payables	558 300	538 944

Note 11 Short-term receivables and other current liabilities

Other short-term receivables		
In NOK 1,000	2019	2018
Receivables, joint ventures	226 321	232 182
Joint venture overcall	593 514	376 786
Underlift	16 927	39 606
Crude storage	50 026	28 651
VAT receivable	14 801	19 287
Prepayments	18 948	27 134
Prepayments, joint ventures	115 184	192 279
Total other short-term receivables	1 036 723	916 907

Other current liabilities		
In NOK 1,000	2019	2018
Other taxes and social security costs	96 386	95 472
Overlift	7 375	48 549
Accruals	151 653	164 436
Accruals, joint ventures	907 523	970 641
Other current liabilities	45 923	48 536
Abandonment	432 000	-
Total other current liabilities	1 640 861	1 326 633

Note 12 Cash and cash equivalents

In NOK 1,000	2019	2018
Cash and cash equivalents, non-restricted	4 596	54 974
Tax withholding balance, restricted cash	64 366	66 921
Total Cash and cash equivalents	68 961	121 895

Note 13 Shares

Company	Book value in NOK	Ownership interest
Alvheim AS ¹⁾	0	15 %
Johan Sverdrup Eiendom DA	2 400	20 %

¹⁾ The sole business of Alvheim AS is to act as a legal owner of "MST Alvheim", the floating production facility which is used to produce oil and gas from the Alvheim and the surrounding fields. The 2019 Annual General Meeting of Alvheim AS is per date of the Lundin Norway AS Annual Financial Statements not held. In 2018 the Net loss was NOK 624.-. At 31 Dec. 2018 total equity of Alvheim AS was NOK 83,391.-.

Note 14 Shareholders equity

Changes in equity

In NOK 1,000	Share premium			Total
	Share capital	reserve	Other equity	
Equity at 1 Jan 2018	493 000	214 641	3 369 396	4 077 037
Dividend - additional dividends declared and paid in 2018	-	-	-2 158 000	-2 158 000
Result for the year	-	-	2 660 014	2 660 014
Equity at 31 Dec 2018	493 000	214 641	3 871 410	4 579 052
Equity at 1 Jan 2019	493 000	214 641	3 871 410	4 579 052
Additional dividends declared and paid in 2019	-	-	-11 300 000	-11 300 000
Result for the year	-	-	8 849 804	8 849 804



Lundin Norway AS
Notes to the Annual Financial Statements

Equity at 31 Dec 2019	493 000	214 641	1 421 214	2 128 856
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Share capital at 31 Dec:

	2019	2018
Share capital, in NOK 1,000	493 000	493 000
No. of shares issued	4 930 000	4 930 000
Face value per share, in NOK	100	100

Lundin Norway AS was founded on 24 Oct 2003 and is part of the Lundin Group.
100% of the shares in Lundin Norway AS are owned by Lundin Petroleum Holding BV, Amaliestraat 3-5, 2514 JC Haag, Netherlands.
The Group 2019 Annual financial statements are available on the Group web site: www.lundin-petroleum.com.

Note 15 Interest-bearing debt

In NOK 1,000	2019	2018
Long-term interest-bearing debt, group ¹⁾	-20 645 692	-21 890 403
Capitalised loan fees ²⁾	390 959	574 939
Net Group receivables/(payables)	-20 254 733	-21 315 464

1) In July 2016 the Company amended and restated the intercompany loan agreement of 2012/2014 with Lundin Petroleum Holding BV. The intercompany loan facility amounted to the corresponding NOK value of USD 4.550 billion. In September 2018 the intercompany loan agreement was amended and restated due to improved borrowing terms. The interest rate margin has been reduced from 315 basis points to 225 basis points based on current borrowings, which also leads to a lower commitment fee.

Drawdowns are translated to NOK at the date of drawdown. The maturity date of the intercompany loan agreement is 31 December 2022. The interest rate is set quarterly at 3 month NIBOR plus a margin of currently 225 basis points.

2) Under the terms of the 2012 intercompany loan agreement and the amendment of the loan agreement in 2014, 2016 and 2018, a proportion of direct loan fees and financing costs were charged to Lundin Norway. These loan fees were capitalised and amortised over the loan period.

Note 16 Pledged assets and joint mortgage security

The Company's participating interests in licenses related to the Edvard Grieg Field and the Johan Sverdrup field are pledged as security of debt. In addition, the Company's shares are pledged as security for the Group's loan facility, see Note 14.
Lundin Norway AS and the other Group companies are under the terms of the loan facility jointly responsible for the covenants attached to the loan facility.
Bank accounts for receivables from the hydrocarbon sales are pledged.

Note 17 Guarantees and commitments

a) Provision for site restoration

Per 31 Dec 2019 the Company has recorded a provision for future decommissioning and removal cost of NOK 4,580.3 million (2018: NOK 4,257.7 mill). In calculating the present value of the provision, a pre-tax discount rate of 3.5% (2018: 3.5%) was used, which is based on long-term risk-free interest rate projections adjusted for Lundin Petroleum credit risk. The change in net present value of NOK 157.2 million in 2019 is expensed under financial items (2018: NOK 133.5 million). The effect of changes in estimates are capitalised under oil and gas assets, and charged to ordinary depreciation. The provision is based on the Company's own evaluations and operators' estimate.

In NOK million	2019	2018
Accrued at 1 January	4 257,7	3 374,4
Accrued for the year	575,9	907,5
Changes in estimates	202,1	-142,9
Disposal	-147,5	-
Used	-33,2	-14,8
Unwinding	157,2	133,5
Accrued at 31 December	5 012,3	4 257,7
Other current liability	432,0	-
Provision for field restoration	4 580,3	

b) Contractual commitments/ commitments to future investments

Through its ownership interests in oil and gas-fields the Company has the following commitments:

In NOK thousands	2020	2021	2022
Rig, vessel and flotel contracts	687 425	900 557	-
Total	687 425	900 557	

c) Leasing commitments

The Company has no financial leasing obligations, nor any leasing obligations through partner operated oil and gasfields.
The Company has 2 operating lease agreements for office property. The rent amounted to NOK 52.6 million in 2019 (2018: NOK 51.1 million).
The rent agreements for the current office location for the Lysaker office in Strandveien 4-8 started in August 2015 and the rent period is 12 years.
The rent agreement for the Company's office in Harstad expired 31 December 2017 and the Company entered into a new rent agreement, with the same owner, for 27 month and with an option for 3 more years at the time.
The Company's leasing costs for office properties, machinery and equipment in 2019 amount to NOK 52.7 million.

d) Liability for damage and pollution / insurance coverage

As a licence holder on the Norwegian Continental Shelf, the Company has unlimited liability for damage, including environmental damage.
The Company has insurance coverage for its pro rata liability, in line with the industry practice for the Norwegian Continental Shelf.

e) Legal disputes

The Company is not involved in any material legal disputes.



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Note 18 Financial instruments and risk management

The Company is amongst other exposed to the risk of oil and gas price changes and to changes in exchange rates.

Note 19 Transactions with related parties

NOK 1.000

In 2019, the Company has been invoiced NOK 214.5 million from the parent Lundin Petroleum Holding BV for recharges and services in 2019 (2018: NOK 205.0 million), and have invoiced Lundin Petroleum Marketing SA NOK 17,679 million (2018: NOK 15,000 million) for sale of oil.

The Company is financed through intercompany loans from the parent. At 31 December 2019, the intercompany loan balance equalled NOK 20,646 million (at 31 December 2018: NOK 21,890 million). The interest charged for intercompany loans amounted to NOK 785.4 million in 2019 (2018: NOK 853.3 million). Interest on intercompany loans are based on current USDLIBOR/EURIBOR/NIBOR 3 month and agreed margin of 2.25% in 2019 and 2.25 - 3.15% in 2018.

Note 20 Oil and gas reserves (not audited by PWC)

The table below shows Lundin Norway AS' estimated proved and probable oil and gas reserves (2P) and change in such estimates during 2019.

The reserves have been audited by ERCE, an independent qualified reserves auditor.

Proved and probable reserves are to be interpreted as defined by the SPE PRMS guidelines of the Society of Petroleum Engineers (SPE), WPC, AAPG and SPEE. Evaluation of reserves is associated with a degree of uncertainty and estimates may change over time as new information becomes available.

Proved and probable reserves	Oil equivalents million barrels (mmboe)
Total calculated proved and probable reserves at 31 December 2018	745,4
Revisions, incl discoveries and extensions	52,1
Acquisitions and sales of reserves	-69,6
Production of salable quantities in 2019	-34,7
Total calculated proved and probable reserves at 31 December 2019	693,3
The proved and probable reserves are attributable to the following fields:	
Johan Sverdrup	530,7
Edvard Grieg	103,7
Solveig	37,4
Rolvnes EWT	2,4
Alvheim	12,9
Volund	3,9
Bøyla	0,9
Ivar Aasen unit	1,4
Total	693,3

The Company has ownership interests in the following licences with PDO approval:		
Fields	Ownership share	Maturity
Johan Sverdrup Unit	20,0%	2037
Alvheim (PL 203)	15 %	2032
Volund (PL 150)	35 %	2024
Edvard Grieg (PL 338)	65 %	2029
Solveig (PL 359)	65 %	2036
Ivar Aasen unit	1,385%	2036
Bøyla (PL 340)	15 %	2029