ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

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:	11.03.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert

År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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	2020	2019
RESULTATREGNSKAP			
Inntekter			
Driftsinntekter oljesalg		20 388 795 000	17 173 230 000
Driftsinntekter gassalg		1 345 099 000	1 183 938 000
Tariff inntekter	4	218 201 000	239 000 000
Gevinst fra salg av eiendeler	2	0	6 798 875 000
Andre inntekter		38 834 000	33 461 000
Sum inntekter		**21 990 929 000**	**25 428 504 000**
Kostnader			
Produksjonskostnader	4	1 880 863 000	1 558 660 000
Letekostnader		1 274 761 000	1 657 389 000
Lønns og lønnsavhengige kostnader	5	13 772 000	20 621 000
Ordinære avskrivninger	8	4 789 631 000	3 564 451 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	8	23 331 000	895 808 000
Andre driftskostnader	5	68 562 000	66 366 000
Sum kostnader		**8 050 920 000**	**7 763 295 000**
Driftsresultat		**13 940 009 000**	**17 665 209 000**
Finansinntekter og finanskostnader			
Finansinntekter renter		192 096 000	12 040 000
Sum finansinntekter		**192 096 000**	**12 040 000**
Finanskostnader		1 261 236 000	637 256 000
Sum finanskostnader		**1 261 236 000**	**637 256 000**
Netto finans		**-1 069 140 000**	**-625 216 000**
Ordinært resultat før skattekostnad		**12 870 869 000**	**17 039 993 000**
Skattekostnader	7	9 811 435 000	8 190 189 000
Ordinært resultat etter skattekostnad		**3 059 434 000**	**8 849 804 000**
Årsresultat		**3 059 434 000**	**8 849 804 000**

Overføringer og disponeringer

Resultatregnskap

Beløp i: NOK	Note	2020	2019
Ordinært utbytte		3 290 000 000	11 300 000 000
Overført til/fra annen egenkapital		-230 566 000	-2 450 196 000
Sum overføringer og disponeringer		**3 059 434 000**	**8 849 804 000**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Olje- og gassfelt	8	46 849 553 000	44 086 230 000
Maskiner, in ventar o.l	8	28 390 000	31 081 000
Annen investeringer	9	2 400 000	2 400 000
Varelager	10	355 419 000	303 652 000
Sum varige driftsmidler		**47 235 762 000**	**44 423 363 000**
Finansielle anleggsmidler			
Andre langsiktige fordringer	11	147 303 000	
Sum finansielle anleggsmidler		**147 303 000**	
Sum anleggsmidler		**47 383 065 000**	**44 423 363 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	12	2 111 079 000	2 674 507 000
Andre fordringer	13	777 571 000	1 035 723 000
Sum fordringer		**2 888 650 000**	**3 710 230 000**
Bankinnskudd, kontanter og lignende			
Kontanter og kontantekvivalenter	14	413 891 000	68 961 000
Sum bankinnskudd, kontanter og lignende		**413 891 000**	**68 961 000**
Sum omløpsmidler		**3 302 541 000**	**3 779 191 000**
SUM EIENDELER		**50 685 606 000**	**48 202 554 000**

BALANSE - EGENKAPITAL OG GJELD

Balanse

Beløp i: NOK	Note	2020	2019
Egenkapital			
Innskutt egenkapital			
Aksjekapital	15	493 000 000	493 000 000
Overkurs		214 641 000	214 641 000
Sum innskutt egenkapital		**707 641 000**	**707 641 000**
Opptjent egenkapital			
Annen egenkapital		1 190 649 000	1 421 215 000
Sum opptjent egenkapital		**1 190 649 000**	**1 421 215 000**
Sum egenkapital	15	**1 898 290 000**	**2 128 856 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	7	21 049 255 000	16 045 813 000
Fjerning og nedstengningsforpliktelse	16	4 778 114 000	4 580 324 000
Sum avsetninger for forpliktelser		**25 827 369 000**	**20 626 137 000**
Annen langsiktig gjeld			
Langsiktig konserngjeld	17,18, 19	17 249 469 000	20 254 733 000
Sum annen langsiktig gjeld		**17 249 469 000**	**20 254 733 000**
Sum langsiktig gjeld		**43 076 838 000**	**40 880 870 000**
Kortsiktig gjeld			
Leverandørgjeld	12	305 761 000	558 300 000
Betalbar skatt	7	3 791 398 000	2 993 667 000
Annen kortsiktig gjeld	13	1 613 319 000	1 640 861 000
Sum kortsiktig gjeld		**5 710 478 000**	**5 192 828 000**
Sum gjeld		**48 787 316 000**	**46 073 698 000**
SUM EGENKAPITAL OG GJELD		**50 685 606 000**	**48 202 554 000**
POSTER UTENOM BALANSEN			
Garantistillelser	16		
Pantstillelser	18		

Skattedirektoratet

Saksbehandler
Torstein Kinden Helleland

Telefon
22078139

Deres dato
02.02.2015

Deres referanse
Jan Nagell

Vår dato
09.02.2015

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

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Statsautoriserte revisorer
Ernst & Young AS

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www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Lundin Energy Norway AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lundin Energy Norway AS, which comprise the balance sheet as at 31 December 2020, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the audit of 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 on the other information obtained prior to the date of the auditor's report, 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.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in 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 and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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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 International Standards on Auditing (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

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

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

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 proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

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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 ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 11 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Erik Søreng
State Authorised Public Accountant (Norway)

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The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Erik Søreng
State Authorised Public Accountant (Norway)
On behalf of: Ernst & Young AS
Serial number: 9578-5999-4-1529830
IP: 92.220.xxx.xxx
2021-03-11 13:37:01Z

bank ID

Penneo document key: FOP7K-VNPXE-VCTKC-X21FC-KSUAY-EEVO0

Lundin Energy Norway AS

Org. No.: 986209409

ANNUAL REPORT 2020

OPERATIONAL REVIEW

All the reported numbers and updates in the operational review relate to the financial year ended 31 December 2020, unless otherwise specified.

Lundin Energy Norway AS (LENO) is an oil and gas exploration and production company, with the main office at Lysaker and a branch office in Harstad. The activity is located on the Norwegian Continental Shelf. Including the license awards in January 2021, the Company has 101 production licenses of which 45 are as operator. Proved plus Probable (2P) reserves are 671 million barrels of oil equivalent (MMboe) and Possible reserves are 155 MMboe. Production in 2020 was 60.2 MMboe.

COVID-19 crisis and low oil price response
The COVID-19 crisis, its economic impact and the oil price collapse led to a challenging market backdrop during 2020. The main focus of the Company's response has been, and continues to be, on reducing the risk of the virus spreading in the operations and safeguarding the well-being of the Company's employees and contractors, whilst at the same time minimising the potential impact on the business. To date there have been no disruptions to production due to the COVID-19 situation. Detailed contingency plans have been established to mitigate the risk, a key element of which is that all personnel visiting the Company's operated production and drilling sites are now tested for the virus before travelling offshore.

LENO has high quality, low cost assets, which are resilient in a low oil price environment. Nevertheless, the Company took steps to defer activity and reduce spend, where it did not impact safety, asset integrity or production, in order to further strengthen the financial resilience of the business.

GOING CONCERN

The Company has an ownership interest in the following six producing fields: Edvard Grieg, Johan Sverdrup, Alvheim, Volund, Bøyla and Ivar Aasen. At the end of 2019, Johan Sverdrup, which came on stream on in October 2019, surpassed Edvard Grieg as the main production contributor for the Company followed by Edvard Grieg and then the Alvheim Area. These fields have produced above expectations in 2020 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 406 employees as of 31 December 2020 compared to 401 at end 2019. In 2020, there were 6.6 man-years of absence due to illness of a total of 365 man-years, constituting an absence-ratio of 1.8 percent against 2.7 percent the previous year.

In May 2020, one person was seriously injured during an incident on a contractor operated vessel that was working on behalf of the Company on the subsea installation activities for the Edvard Grieg tie-back projects. The incident has been thoroughly investigated and mitigating measures implemented.

The working environment committees for LENO, for the Edvard Grieg installation, and for the drilling rigs contracted by the Company have conducted their meetings as planned and the employee/workforce cooperation has continued to function well throughout 2020. No major issues have been raised in these committees related to working environment challenges although the Covid-19 pandemic has influenced all of us. In order to minimize the risk of infection, mandatory testing of all personnel going offshore has been implemented. Furthermore, onshore based personnel have, when practical, to a large degree been working from home as recommended by the Norwegian authorities. The Company acknowledges the Covid-19 pandemic may have an effect on the psychosocial working environment and has attention to preserve a healthy and motivated work force.

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 are an overrepresentation of men and this is reflected in the Company's gender balance. Of the 406 employees in LENO, 109 are women (27 percent), compared to 99 women the previous year. 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

We are 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 minimise risks to the natural environment. The Company's environmental strategy includes a set of goals and targets to ensure continuously improved environmental performance through continuous emission reductions, energy efficiency measures and improved waste management. The Company had two reportable chemical spills to sea in 2020, none of which resulted in any harm to the environment. Else, the environmental goals and targets were met in 2020. Furthermore, the Company have committed to a research and development (R&D) strategy, where a 30 percent share of the annual R&D budget shall be allocated to environmental projects, with a significant part of this share contributing to development of low emission solutions.

In 2020, the LENO 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 for the Lundin Energy Group to become carbon neutral by 2030 from operational activities. In January 2021, the Group accelerated this plan to achieve carbon neutrality from 2025, with the commitment of MUSD 750 to reduce carbon emissions through the electrification of our key assets using power from shore, investments in renewable energy and natural carbon capture projects. A key driver of the Decarbonisation Strategy is the electrification of the Company's main producing assets. With electrification of the Utsira High Area, including the Edvard Grieg and Johan Sverdrup fields by late 2022, over 95 percent of the Company's production will be powered from shore. It is the Groups' strategy to fully replace all net electricity usage for power from shore by end 2023 with further direct investments in renewable energy electricity generation. The Group will also invest in renewable energy projects to replace our net electricity consumption. The Company has entered into a partnership with Land Life Company B.V. and are committed to invest MUSD 35 to plant approximately eight million trees between 2021 and 2025, capturing 2.6 million tonnes of CO_2.

The Company 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. The Company conducted all its activities with due considerations to the environment in accordance with established plans in 2020.

The Company invested NOK 127.6 million in R&D in 2020. Of which, NOK 16.8 million (13.2 percent of total) has been spent on low carbon and energy efficiency technologies. The Company's total investment on environmental performance improvement projects is NOK 34.6 million (27.1 percent of total). The main goal for the R&D is to maximize our value of existing business, preparing for operations in new environments and developing platforms for future business opportunities while minimising our environmental footprint. A portion of the R&D investments have been used to focus on greenhouse gas reduction measures, for example participation in the Low Emission Research Centre and the Norwegian Carbon Capture and Storage (NCCS) project. The Low Emission 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 2020 group consolidated financial statements and includes payments related to Lundin Energy Norway AS. The Report on Payments to Governments is available on www.lundin-energy.com.

2020 AND THE OUTLOOK

In 2020 the Company formalized its ambition to produce oil and gas in the most sustainable and efficient manner possible with the new decarbonisation strategy, which targets carbon neutrality from 2025. The 2020 results were record setting, delivering above expectations both in terms of high production and low cash operating costs. These results were driven by continued strong facilities and reservoir performance from the Company's core producing assets, the Johan Sverdrup field, Edvard Grieg field and the Alvheim Area generated production in 2020 that exceeded guidance. Exploration activity will continue to be high with the awards of new licences and inorganic activity. Free cash flow is expected to average about USD 10/boe for 2P reserves over the next 6 years.

Licence awards and transactions
LENO continues to grow its exploration acreage position through licence rounds. In January 2021, the Company was awarded 19 (12) licences in the 2020 APA licensing round, of which seven (seven) are as operator. Currently the Company holds 101 licences in Norway, compared to 88 licences at the beginning of 2020.

In March 2020, LENO entered into a sales and purchase agreement with Capricorn Norge AS involving the acquisition of a 30 percent working interest in PL1057. The transaction increased the Company's working interest to 60 percent in PL1057 and the Company has become the operator of the licence.

In September 2020, LENO entered into a sales and purchase agreement with Vår Energi AS, involving the acquisition of a 50 percent working interest in PL229E.

In October 2020, LENO entered into a sales and purchase agreement with Idemitsu Petroleum Norge AS involving the acquisition of a 10 percent working interest in the Wisting oil discovery in licences PL537 and PL537B. Wisting is estimated to contain gross resources of 500 MMbo and is scheduled to be one of the next Barents Sea production hubs. Equinor, the operator of Wisting in the development phase, is targeting a Plan for Development and Operation (PDO) by end 2022 to benefit from the temporary tax incentives established by the Norwegian Government in June 2020. The transaction also involves a 15 percent working interest in PL609, PL609B, PL609C, PL609D and PL851, which increases the Company's working interest from 40 to 55 percent in the Alta discovery. The transaction, which is effective from January 2020, adds estimated net contingent resources of approximately 70 MMboe for a cash consideration of MUSD 125, and was completed in November 2020.

In November 2020, LENO entered into a sales and purchase agreement with Wintershall Dea Norge AS, involving the acquisition of a 1 percent working interest in PL820S, containing the Iving Discovery with estimated gross resources of 12 to 71 MMboe. The transaction, which was as part of a wider cooperation agreement, is subject to customary Government approvals, and will increase the Company's working interest in PL820S to 41 percent on completion.

In December 2020, LENO entered into a sales and purchase agreement with Equinor Energy AS, involving the acquisition of a 20 percent working interest and transfer of the operatorship in PL167, PL167B and PL167C containing the Lille Prinsen discovery. The transaction will increase the Company's working interest to 40 percent in the licenses and is subject to customary Government approvals.

In January 2021, the Company was awarded 19 licences in the 2020 APA licensing round, of which seven are as operator.

Development
Johan Sverdrup Phase 2
The Johan Sverdrup Phase 2 development project involves a second processing platform bridge linked to the Phase 1 field centre, subsea facilities to access the Avaldsnes, Kvitsøy and

Geitungen satellite areas of the field, implementation of full field water alternating gas injection (WAG) for enhanced recovery and the drilling of 28 additional wells. The drilling contract for the subsea wells, has been awarded to the Deepsea Atlantic semi-submersible rig, which was the same rig used for the Phase 1 pre-drilled wells. The Johan Sverdrup field reserves are in the range 2.2 to 3.2 billion boe and the ambition of the partners in the field, is to achieve a recovery factor of more than 70 percent. Due to higher established processing capacity for Phase 1 of the development, the full field plateau, when Phase 2 comes on stream will be at the increased level of 720 Mbopd. Full field breakeven oil price, including past investments, is estimated at below USD 20 per boe. The PDO for Phase 2 was approved in May 2019.

The Phase 2 capital expenditure is estimated at gross NOK 41 billion (nominal), which is unchanged from the Phase 2 PDO estimate. Construction is ongoing on the second processing platform topsides and jacket, the new modules to be installed on the existing Riser Platform and the subsea facilities. There have been some disruptions to project activities due to COVID-19, which have been effectively managed, and first oil remains on schedule for the fourth quarter of 2022, with progress now over 50 percent complete.

Johan Sverdrup is being operated with power supplied from shore and is one of the lowest CO_2 emitting offshore fields in the world with CO_2 emissions of less than 0.2 kg per boe in 2020 (below the original forecast of approximately 0.7 kg per boe). The project also includes expansion of the power from shore facilities for Phase 2, which includes additional capacity for the Utsira High Power grid, including for the Edvard Grieg field.

Greater Edvard Grieg Area tie-back projects
Solveig Phase 1 is the first Edvard Grieg subsea tie-back development and will contribute to keeping the Edvard Grieg platform on plateau production to the end of 2023. Phase 1 gross 2P reserves are estimated at 57 MMboe and will be developed with three oil production wells and two water injection wells, achieving gross peak production of 30 Mboepd. The PDO for Solveig Phase 1 was approved in June 2019. The capital cost estimate for the development is within the PDO estimate of MUSD 810 gross, with an improved breakeven oil price of below 20 USD per boe, based on the recently announced tax incentives. 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 Rolvsnes extended well test (EWT) project, which was approved by the authorities in July 2019, will be conducted through a 3 km subsea tie-back of the existing Rolvsnes horizontal well to the Edvard Grieg platform. The EWT will provide important reservoir data to support a decision on the potential Rolvsnes full field development. The project is being implemented together with the Solveig project to take advantage of contracting and implementation synergies.

In order to manage the COVID-19 risk, a decision was taken to defer activity and both projects are on schedule for revised first oil in the third quarter 2021. The Edvard Grieg field has excessed well capacity and the deferrals have no impact on the Company's net production. Installation of the subsea facilities commenced in March 2020 and all production and injection pipelines and the satellite well head structures have been installed. The start of development drilling operations using the West Bollsta semi-submersible rig, is scheduled for the second quarter of 2021. The Solveig Phase 1 project progress is over 50 percent complete and the Rolvsnes EWT project is over 75 percent complete.

Production
For fields in production, the Company has invested NOK 1,569 million in 2020. Main investments are in the Johan Sverdrup field with NOK 801 million, Alvheim Area with NOK 494 million and NOK 206 million in the Greater Edvard Grieg Area.

The Company produced 60.2 MMboe in 2020. The Company's proven and probable reserves were end 2020 at 671 MMboe. Total cash operating cost for the year, including netting off tariff income, was USD 2.69 per barrel.

The production was comprised as follows:

Production in Mboepd	2020	2019
Norway		
Crude oil	152.7	83.5
Gas	11.8	9.8
Total production	**164.5**	93.3

Production in Mboepd	WI[1]	2020	2019
Johan Sverdrup	20%	87.6	14.0
Edvard Grieg	65%	63.6	63.7
Ivar Aasen	1.385%	0.8	0.8
Alvheim Area	15–35%	12.5	14.8
Quantity in Mboepd		**164.5**	93.3

[1] Lundin Norway Energy's working interest (WI)

Production from Johan Sverdrup Phase 1 was two percent ahead of forecast, driven by a high production efficiency in the fourth quarter of 99 percent and increased facilities capacity. Four production wells and one water injection well were completed during 2020, with results from all five wells in line with or above expectations. The field is currently producing from 12 wells and reservoir performance continues to be excellent, with total well capacity exceeding the available facilities capacity. In the first quarter of 2020, it was announced that due to higher established processing capacity, the Phase 1 plateau production rate was increased from 440 thousand barrels of oil per day (Mbopd) gross to 470 Mbopd. The increased Phase 1 plateau level of 470 Mbopd was achieved in April 2020, more than two months earlier than scheduled. In November 2020, it was announced that following successful capacity testing, the Phase 1 plateau production rate was increased further to 500 Mbopd and as a result the full field plateau, when Phase 2 comes on stream, was increased to 720 Mbopd. The Phase 1 processing capacity is expected to increase further, up to 535 Mbopd, following modification work to upgrade the water injection facilities, which is expected to be complete by mid-2021. Operating costs were USD 1.56 per boe.

Production from the Edvard Grieg field was two percent ahead of forecast, supported by high production efficiency in the fourth quarter of 100 percent and increased available facilities capacity, as a result of Ivar Aasen not utilizing its full contractual share. In September 2020, the Company announced a 50 MMboe increase in Edvard Grieg field gross 2P reserves, lifting the gross 2P ultimate recovery to 350 MMboe. The plateau production period for the Greater Edvard Grieg Area, which also includes the Solveig Phase 1 and Rolvsnes EWT developments, was extended by a further year to late 2023. The increase in reserves and plateau extension are as a result of higher oil in place, following an updated reservoir model which incorporated data referencing the lower water production levels and a 4D seismic survey, showing the injection water flood front to be further away from the production wells than previously predicted. In the third quarter 2020, a planned ten-day maintenance shutdown took place, to take advantage of the flexibility offered by the excess production capacity while production was restricted. The planned three well infill drilling programme at Edvard Grieg commenced post period end in January 2021, using the Rowan Viking jack-up rig. The Edvard Grieg electrification project, which 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, is underway and is expected to be operational in late 2022. Operating costs, including netting off tariff income, were USD 3.47 per boe.

Production from the Ivar Aasen field was four percent below forecast. Two infill wells have been drilled and are expected to come on stream in the first quarter 2021.

Production from the Alvheim Area, consisting of the Alvheim, Volund and Bøyla fields, was in line with forecast reflecting the production restriction measures imposed by the Norwegian

Government. One infill well has been drilled in the Alvheim field, which came on stream in November 2020, with results in line with expectations. In December 2020, drilling commenced on a second infill well at the Alvheim field, which is expected to come on stream late first quarter 2021. In the third quarter 2020, a planned maintenance shutdown took place to take advantage of excess production capacity, due to the aforementioned production restrictions. Operating costs for the Alvheim Area were USD 5.68 per boe.

Exploration and Appraisal

Exploration

In 2020, NOK 738 million of exploration and appraisal costs were capitalized. Capitalized exploration and appraisal expenses were NOK 5 566 million as at 31 December 2020. The exploration drilling programme involved five wells targeting the prospects Hasselbaink (dry), Evra/Iving (two oil & gas discoveries), Polmak (dry), Spissa (dry) and Bask (dry).

In March 2020, the dual target Evra and Iving prospect in PL820S, located in the Norwegian North Sea close to the Balder and Ringhorne fields, was drilled yielding two discoveries. At Iving, an oil and gas discovery were made with gross resources estimated to be between 12 to 71 MMboe. The well was production tested in the Skagerrak formation and flowed at a maximum rate of around 3,000 barrels per day of light 40-degree API oil, constrained by surface equipment. At Evra, the well encountered gas and oil in Eocene/Paleocene age injectite reservoir sands, with further appraisal required to determine the resource potential. Appraisal drilling is planned in 2021 with the aim of developing the discovery as a tie-back to existing nearby infrastructure. Follow-up prospectivity exists in the licence and will be evaluated in light of this discovery.

Appraisal

In February 2020, an appraisal well was completed on the Balderbrå gas discovery in PL894 in the Norwegian Sea. The results were below expectations, leading to a reduction in the resource estimate and a commercial development of the discovery is not considered viable.

In June 2020, the Norwegian Government, to stimulate activity, announced temporary tax incentives that apply to PDO's submitted for approval before the end of 2022 and being approved before the end of 2023. These tax incentives significantly improve project economics and the Company has nine potential projects that could be accelerated to benefit from this opportunity. The Company's net resources for these potential projects, inclusive of the acquisition announced in September 2020 of an interest in the Wisting field, totals approximately 200 MMboe, with the main projects being Solveig Phase 2 and Segment D, Lille Prinsen, Rolvsnes Full Field, Iving, Alta, Wisting and the Alvheim Area projects of Kobra East/Gekko and Frosk. The plan is to accelerate appraisal activities and field development studies for all of these potential projects, with the aim of maturing them to PDO within the timeline of the tax incentives.

FINANCIAL RISK

Liquidity and funding

Risk: Investments and costs overrunning budgets or production underperformance may lead to the Company being unable to fund its financial commitments from cash flow, debt or equity.

Response: 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. In December 2020 the Company entered into intercompany loan agreement with Lundin Energy Holding BV. The intercompany agreement amounted to the corresponding NOK value of USD 3 300 million (USD 4 550 million). In December 2020 the intercompany loan agreement was amended and restated due to improved borrowing terms. The interest rate margin has been reduced by about 0.9 percentage points compared to the previous internal loan facility. The loan agreement secures that the Company has sufficient funding and liquidity headroom to execute plans and budgets.

Market conditions
Risk: Shareholder value is affected by our inability to meet stakeholder expectations and create value, either through current business strategies or due to market conditions. Prolonged low oil and gas prices, as an effect of COVID-19 or other market uncertainties, could erode the profitability of some of the Company's assets; affect financial earnings, cash flow generation and the overall investment and liquidity position.

Response: LENO mitigates the impact of fluctuating oil prices on our financial performance by having robust processes in place such as the Asset Business Plan (long-term liquidity tests) and continuously assessing the assets' debt borrowing capacity, enabling management to forecast ahead of time a potential liquidity shortage. Through regular updates of the Asset Business Plan, the Company stress tests the business for a prolonged period of lower oil prices. The Company's high quality and low cost assets also make it resilient to oil price volatility. Moreover, the tax regime reduces the post-tax impact on the Company's financial performance due to the 78 percent marginal tax rate.

Credit
Risk: The Company is exposed to risk that a customer is unable to fulfil their financial obligations.

Response: 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.

FINANCIAL INFORMATION/ALLOCATION OF RESULTS

It is the Board's opinion, that the presented Annual Accounts for 2020 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 2020, was NOK 21 734 million, compared to NOK 18 357 million in 2019. The increased revenue is due to higher sales volumes. The production in 2020 was 60.2 MMboe, 26.1 MMboe higher than in 2019. The average price per boe was NOK 361 in 2020, a reduction of NOK 177 compared to 2019.

Production expenses including maintenance, tariffs, processing and insurance were NOK 1 881 million.

The Company's exploration expenses of NOK 1 275 million are mainly related to drilling of exploration and appraisal wells.

The operating income in 2020 was NOK 13 940 million as compared to an operating income of NOK 17 665 million in 2019, including a gain of NOK 6 799 million for the sale of 2.6 percent of Johan Sverdrup unit. This year's net financial items were NOK – 1 069 million against NOK -625 million for 2019.

In 2020, the Company recorded a tax expense of NOK 9 811 million. In 2019 the tax expense was NOK 8 190 million. Taxes payable at the end of the year amounted to NOK 3 791 million, in 2019 tax was NOK 2 994 million.

Net income for the year amounted to NOK 3 059 million against a net income in 2019 of NOK 9 850 million.

Cash used for investment activities in 2020 amounted to NOK 8 077 million, against NOK 757 million in 2019. Investment activities in 2019 includes disposal of assets of NOK 8 385 million, compared to zero in 2020, hence the substantial change. Net cash from operational activities in 2020 were NOK 15 129 million against NOK 13 248 million in 2019. Cash and cash equivalents per 31 December 2020 were NOK 414 million against NOK 69 million per 31 December 2019. 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 20 255 million to NOK 17 249 million in 2020. The Company paid dividends of NOK 3 290 million to the parent during 2020.

The Company's equity per 31 December 2020 was NOK 1 898 million against NOK 2 129 million per 31 December 2019. Short-term debt was per 31.12.2020 NOK 5 710 million and NOK 5 193 million in 2019. The main change is increase in income tax liability. Long-term debt inclusive liabilities were NOK 43 077 million per 31 December 2020 against NOK 40 881 million per 31 December 2019 and main change was deferred tax liabilities and debt to the parent company.

Allocation of profit/coverage of loss
The Board's proposal to the Annual General Assembly is that the net profit after tax of NOK 3 059 million to be allocated to other equity. A dividend of NOK 3 290 million has been distributed earlier in 2020. Following the Board's proposal for distribution of this year's profit, the equity constitutes NOK 1 898 million against NOK 2 129 million for the previous year.

Oslo, March 11th 2021

Nicholas John Robert Walker	Teitur Nolsøe Poulsen	Kristin Færøvik
Chairman of the Board	*Board member*	*MD and Board member*
Daniel Paul Fitzgerald	Kjersti Engh	Geir Smaaskjær
Board member	*Board member*	*Board member*

Stian Blom
Board member

Lundin Energy Norway AS

Income statement (in NOK 1,000)

	Note	2020	2019
OPERATING REVENUES			
Operating revenues, oil sales		20 388 795	17 173 230
Operating revenues, gas and NGL sales		1 345 099	1 183 938
Tariff revenue	4	218 201	239 000
Gain from sale of assets	2	-	6 798 875
Other income		38 833	33 461
Total operating revenues	3	**21 990 929**	**25 428 504**
OPERATING EXPENSES			
Production and transportation expenses	4	1 880 863	1 558 660
Exploration expenses		1 274 761	1 657 389
Depreciation and amortisation	8	4 789 631	3 564 451
Impairment of oil and gas properties	8	23 331	895 808
Payroll and payroll related costs	5	13 772	20 621
Other operating expenses	5	68 562	66 366
Total operating expenses		**8 050 920**	**7 763 296**
OPERATING INCOME		**13 940 009**	**17 665 209**
FINANCIAL ITEMS			
Financial income		4 901	12 040
Financial expenses		1 261 236	609 045
Exchange gains/-losses		187 195	-28 212
Total financial income (expenses)	6	**-1 069 140**	**-625 216**
INCOME BEFORE TAX		**12 870 869**	**17 039 992**
Tax expense	7	9 811 435	8 190 189
NET INCOME FOR THE PERIOD		**3 059 434**	**8 849 804**
Allocation of net income:			
Dividends		3 290 000	11 300 000
Attributable to the equity holders		-230 566	-2 450 196
Total allocation of net income		**3 059 434**	**8 849 804**

Lundin Energy Norway AS

Balance sheet (in NOK 1,000)

Assets	Note	31.12.2020	31.12.2019
NON-CURRENT ASSETS			
Property, plant and equipment			
Oil and gas properties	8	46 849 553	44 086 230
Furniture, fittings and office machinery	8	28 390	31 081
Other investments	9	2 400	2 400
Spare parts	10	355 419	303 653
Total property, plant and equipment		**47 235 762**	**44 423 363**
Financial assets			
Other long-term receivables	11	147 303	-
Total financial assets		**147 303**	**-**
TOTAL NON-CURRENT ASSETS		**47 383 065**	**44 423 363**
CURRENT ASSETS			
Trade receivables	12	2 111 079	2 674 507
Other short-term receivables	13	777 571	1 035 723
Cash and cash equivalents	14	413 891	68 961
Total current assets		**3 302 541**	**3 779 191**
TOTAL ASSETS		**50 685 606**	**48 202 554**

Lundin Energy Norway AS

Balance sheet (in NOK 1,000)

Total Equity and Liabilities	Note	31.12.2020	31.12.2019
SHAREHOLDERS' EQUITY			
Paid-in capital			
Share capital	15	493 000	493 000
Share premium		214 641	214 641
Total paid-in capital		**707 641**	**707 641**
Retained earnings			
Other equity		1 190 649	1 421 215
Total retained earnings		**1 190 649**	**1 421 215**
Total equity	15	**1 898 289**	**2 128 856**
LIABILITIES			
Total non-current liabilities			
Provision for field restoration	16	4 778 114	4 580 324
Deferred tax liabilities	7	21 049 255	16 045 813
Interest-bearing debt, group	17,18,19	17 249 469	20 254 733
Total non-current liabilities		**43 076 839**	**40 880 870**
Current liabilities			
Trade payables	12	305 760	558 300
Income tax liability	7	3 791 398	2 993 667
Other current liabilities	13	1 613 319	1 640 861
Total current liabilities		**5 710 477**	**5 192 827**
Total liabilities		**48 787 315**	**46 073 697**
TOTAL EQUITY AND LIABILITIES		**50 685 606**	**48 202 554**
Guarantees and commitments	16		
Pledged assets and mortgage	18		

Lysaker, March 11, 2021

Nicholas John Robert Walker *Chairman*	Teitur Nolsøe Poulsen *Board member*
Daniel Paul Fitzgerald *Board member*	Kristin Færøvik *Board member and Chief Executive*
Geir Smaaskjær *Board member*	Kjersti Linnea Mathisen Engh *Board member*
Stian Blom *Board member*	

Lundin Energy Norway AS

Statement of Cash flows (in NOK 1,000)

	Note	2020	2019
Operating activities			
Net income before tax		12 870 869	17 039 992
Adjustment for financial items	6	1 209 875	1 131 258
Interest received	6	4 901	11 996
Interest paid		-623 614	-802 498
Taxes received/-paid	7	-4 010 262	-1 159 266
(Gains)/Losses on sale of assets and other items	2	-	-6 798 875
Depreciation, amortisation and impairment	8	4 812 962	4 460 259
Decommissioning payments	16	-494 191	-33 162
Expensed dry wells, capitalised previous periods	8	572 552	938 586
Change in spare parts	10	-51 767	-15 257
Change in trade receivables	12	-86 192	332 824
Change in other short-term receivables/liabilities	12	924 241	-1 857 695
Net cash flow from in operating activities		**15 129 374**	**13 248 162**
Investing activities			
Investment in assets	8	-6 973 319	-8 679 577
Purchase of assets	8	-1 103 609	-462 055
Disposal of assets	8	-	8 384 839
Net cash used in investing activities		**-8 076 928**	**-756 793**
Financial activities			
Net changes internal credit facilities	17	-3 416 166	-1 244 711
Dividends paid	15	-3 290 000	-11 300 000
Net cash flow used in/(from) financing activities		**-6 706 166**	**-12 544 711**
Net changes in cash and cash equivalents		**346 279**	**-53 342**
Cash and cash equivalents at 1 January		68 961	121 895
Net foreign exchange difference on cash and cash equivalents		-1 350	408
Cash and cash equivalents at 31 December		**413 891**	**68 961**

Lundin Energy Norway AS
Notes to the Financial Statements 2020

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

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).

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.

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 2020.The special tax is applied to relevant income in addition to the ordinary offshore income tax, which was levied at 22% for 2020, 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 30% to 22% 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 is 20.8%. 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 (yearly rate from 2019 of 5.2%), 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.

Temporary tax rules were introduced for 2020 and 2021 to stimulate activity and reduce lay offs in the supply industry due to the covid 19 situation. Investments for 2020 and 2021 can therefore be expensed directly against the SPT basis (56%) in year of investment. The uplift allowance for these years has been increased from 20.8% over 4 years to 24% in investment year. For the ordinary offshore income tax basis (22%) investments are still depreciated over 6 years (linear). The temporary tax rules also include investments subject to plans for production and operation (PDO), and significant changes of such, delivered within end of 2022 and sanctioned by end of 2023, up to start of production as detailed in the PDO. The accelerated tax deduction for SPT results in higher tax payments in the future, which is reflected in increased deferred tax.

Lundin Energy Norway AS
Notes to the Financial Statements 2020

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. As a result of the temporary tax rules the formula will be based on the tax values for the SPT 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.

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 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.

Property plant and equipment
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.

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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 sellers 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. 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.

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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 recognized as financial expense.

On fields where the Company is required to contribute to site restoration costs, a provision is recorded to recognize 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 recognizes 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 Energy 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.

b) Impairment of oil and gas properties
Lundin Energy carries out impairment tests of individual cash generating units when impairment triggers are identified. Goodwill relating to the acquisition of oil and gas properties is tested for impairment at least annually. No impairment triggers were identified for 2020.

Key assumptions in the impairment models relate to prices and costs that are based on forward curves and the long-term corporate assumptions. The calculation of the impairment requires the use of estimates. For the purpose of determining a potential impairment the assumptions that management uses to estimate the future cash flows to calculate the recoverable amounts are future oil and gas prices and expected production volumes. These assumptions and judgements of management that are based on them are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates and the discount rate applied is reviewed throughout the year.

Information about the carrying amounts of the oil and gas properties and impairment of oil and gas properties is presented in Note 8.

c) Provision for future decommissioning and removal expenditures

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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.

Note 2 Major transactions during 2020

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

In March 2020, LENO entered into a sales and purchase agreement with Capricorn Norge AS involving the acquisition of a 30 percent working interest in PL1057. The transaction increased the company's working interest to 60 percent in PL1057 and the Company has become the operator of the licence.

In September 2020, LENO entered into a sales and purchase agreement with Vår Energi AS, involving the acquisition of a 50 percent working interest in PL229E.

In October 2020, LENO entered into a sales and purchase agreement with Idemitsu Petroleum Norge AS involving the acquisition of a 10 percent working interest in the Wisting oil discovery in licences PL537 and PL537B. Wisting is estimated to contain gross resources of 500 MMbbl and is scheduled to be one of the next Barents Sea production hubs. Equinor, the operator of Wisting in the development phase, is targeting a PDO by end 2022, to benefit from the temporary tax incentives established by the Norwegian Government in June 2020. The transaction also involves a 15 percent working interest in PL609, PL609B, PL609C, PL609D and PL851, which increases the Company's working interest from 40 to 55 percent in the Alta discovery. The transaction, which is effective from January 2020, adds estimated net contingent resources of approximately 70 MMboe for a cash consideration of MUSD 125, and was completed in November 2020.

In November 2020, LENO entered into a sales and purchase agreement with Wintershall Dea Norge AS, involving the acquisition of a 1 percent working interest in PL820S, containing the Iving Discovery with estimated gross resources of 12 to 71 MMboe. The transaction, which was as part of a wider cooperation agreement, and will increase the Company's working interest to 41 percent on completion. The transaction, which is effective from January 2021 was completed in February 2021.

In December 2020, LENO entered into a sales and purchase agreement with Equinor Energy AS, involving the acquisition of a 20 percent working interest and transfer of the operatorship in PL167, PL167B and PL167C containing the Lille Prinsen discovery. The transaction will increase the Company's working interest to 40 percent in the licenses and is subject to customary Government approvals.

In January 2021, the Company was awarded 19 licences in the 2020 APA licensing round, of which seven are as operator.

Currently the Company holds 101 licences in Norway, which is an increase of approximately 23 percent from the beginning of 2020.

In 2020 LENO no sales transactions was completed. For 2019 the following sales 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

Note 3 Revenue reporting

In NOK 1,000	2020	2019
Operating revenues, oil sales	20 388 795	17 173 230
Operating revenues, gas and NGL sales	1 345 099	1 183 938
Tariff revenue [1)]	218 201	239 000
Gain from sale of assets	-	6 798 875
Other income	38 833	33 461
Total operating revenues	**21 990 929**	**25 428 504**

1) see note 4

The company's activity are entirely related to exploration, development and production of oil , NGL and gas.
Sales of oil are mainly made to the Lundin Energy Marketing SA, based in Switzerland.

Note 4 Production and transportation expenses

Tariff income is received on the Alvheim 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 Alvheim field and the Bøyla field, a net expense is recorded in production expenses for the year. Volund receives tariff payment from the Alvheim 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 492.6 million in 2020 and 523.7 million in 2019. The net tariff revenue is NOK 218.201 million in 2020 and 239.0 million in 2019.
Gross tariff cost is NOK 712.2 million in 2020 and NOK 656.4 million in 2019. Net Tariff cost is NOK 437.8 million in 2020 and NOK 371.7 million in 2019.

Note 5 Remunerations

In NOK 1,000	2020	2019
Salaries	598 708	565 217
Social security tax	93 891	104 254
Pension costs	70 653	66 882
Other benefits	57 352	116 567
Recharged to operated licences	(806 832)	(832 299)
Payroll and payroll related costs	**13 772**	**20 621**
Average no. of employees:	**404**	**387**

In NOK 1,000	2020	2019
Rent, electricity, cleaning	55 871	56 493
External services	103 304	96 473
Computer expenses	94 246	65 712
Office expenses	7 159	7 592
Travel	1 116	2 708
Other expenses	15 935	14 795
Recharged to operated licences	(209 068)	(177 407)
Other operating expenses	**68 562**	**66 366**

Remuneration to Executive officers in 2020 (in NOK 1,000)

	Salary1)	Cash bonus	Long term incentive plan
Managing director	3 819	1 876	7 833

1) Salaries consist in addition of pension NOK 167 and other remuneration NOK 17.

Remuneration to the Board of Directors

NOK 45.000 was paid in remuneration to the Board in 2020. NOK 15.000 to each employees' representative Board Member. No change in remuneration from 2019.

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

	Salary1)	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.

Auditor's remuneration

In NOK 1,000	**2020**	**2019**
Auditor's fee	2 561	2 574
Other assurance services	162	82
Other advisory services	52	107
Total auditor's remuneration	**2 775**	**2 763**

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 Energy Norway AS 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 2020 and 2019 the contributions made by the Company for pensions and pension insurance amounted to NOK 64.8 million and NOK 61.3 million respectively. The Company's pension commitments are limited to the annual contributions made.

Sharebased payments
No employees have share option agreements in Lundin Energy Norway AS, however some 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 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.

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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	2020	2019
Financial income		
Interest income	4 901	11 996
Other financial income	0	44
Total Financial income	**4 901**	**12 040**
Financial expenses		
Interest expense	-936 951	-424 670
Other interest expense	-85 069	-17 173
Other financial expenses	-58 956	-10 018
Interest accretion on decommissioning liability	-180 260	-157 184
Total Financial expenses	**-1 261 236**	**-609 045**
Foreign Exchange gain/-loss		
Realised foreign exchange gain	517 875	217 986
Realised foreign exchange loss	-443 469	-197 574
Unrealised foreign exchange gain/-loss	112 788	-48 624
Net foreign exchange gain/-loss	**187 195**	**-28 212**
Total financial items	**-1 069 140**	**-625 216**

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Note 7 Tax

a) Tax expense for the period

in NOK 1,000	**2020**	**2019**
Current tax	4 829 398	3 503 417
Current tax previous years	-21 404	14 142
Changes in deferred tax	5 003 442	4 672 630
Tax expense for the period	**9 811 435**	**8 190 189**
Current tax liability at 1 January	2 993 667	635 375
Current tax paid	-4 010 262	-1 159 266
Current year tax in income statement	4 807 993	3 517 558
Current tax liability at 31 Dec	3 791 399	2 993 667

b) Effective tax rate

in NOK 1,000	**2020**	**2019**
Income before tax	12 870 869	17 039 992
Company tax	2 831 591	3 748 798
Special petroleum tax	7 207 687	9 542 396
Tax effect of uplift	-789 759	-677 940
Net financial revenue/expense onshore	398 775	140 783
Tax effect of permanent differences 1)	184 545	-4 692 318
Adjustment prior years	-21 404	128 469
Total tax expense for the period	**9 811 435**	**8 190 189**
Effective tax rate (incl. change in deferred tax)	76,2 %	48,1 %

1) The tax rate for petroleum companies are normally 78% (see note 1 for more informasjon). The effect of non-taxable income in the comparative period mainly relates to the presentation of the gain from the sale of 2.6 percent of Johan Sverdrup on an after tax basis, see also Note 2.

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c) Deferred tax

The tax effect of temporary differences:

in NOK 1,000	**2020**	**2019**
Fixed assets	25 030 380	20 728 763
Future uplift	-486 607	-1 014 472
Other long-term items (receivables, decommissioning, etc.)	-3 702 244	-3 840 820
Other short-term items	207 726	172 343
Total deferred tax	**21 049 255**	**16 045 813**

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 2019	5 130 170	5 035 220	59 175 950	69 341 340	205 246	69 546 586
Additions	737 581	4 716 453	1 569 430	7 023 463	19 074	7 042 537
Purchase	1 103 609			1 103 609		1 103 609
Expensed capitalised wells previous periods	-572 552			-572 552		-572 552
Reclassified to production assets and developement assets				-		-
Acquisition cost at 31 Dec 2020	**6 398 809**	**9 751 673**	**60 745 379**	**76 895 861**	**224 320**	**77 120 181**
				-		
Accumulated depreciation at 31 Dec 2019	-	-	18 674 979	18 674 979	174 165	18 849 144
Depreciation			4 767 866	4 767 866	21 765	4 789 631
Accumulated depreciation at 31 Dec 2020	**-**	**-**	**23 442 846**	**23 442 846**	**195 930**	**23 638 775**
Accumulated impairment at 31 Dec 2019	832 490	-	5 747 641	6 580 131	-	6 580 131
Impairment			23 331	23 331		23 331
Accumulated Impairment at 31 Dec 2020	**832 490**	**-**	**5 770 972**	**6 603 462**	**-**	**6 603 462**
Net book value at 31 Dec 2020	**5 566 319**	**9 751 673**	**31 531 561**	**46 849 553**	**28 390**	**46 877 943**
Depreciation plan:			Unit of production		Linear, 3-5 years	

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Impairment:
Lundin Energy Norway carries out impairment tests of individual cash-generating units when impairment triggerrs are identified. No impairment triggers were identified for 2020. Non-cash impairment costs amounted to NOK - million (NOK 725.4 million) with the impairment cost in 2019 relating to certain licenses in the Barents Sea of which future economic development is considered uncertain.

Due to increased future removal estimates for Brynhild and Gaupe, the Company has written off NOK 23.3 million in 2020 (NOK 170.4 million).

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 developement 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**	**69 546 586**
				-		
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	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:			Unit of production		Linear, 3-5 years	

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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 developement.

Note 9 Other investments

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

Note 10 Spare parts

In NOK 1,000	2020	2019
Spare parts and drilling equipment	**355 419**	**303 653**

Note 11 Other long-term receivables

Non-current trade and other receivables relates to prepayments with a long-term nature.

Note 12 Trade receivables and Trade payables

Current Assets

in NOK 1,000	2020	2019
Trade receivables	248 216	162 024
Trade receivables intercompany	1 862 863	2 512 483
Total trade receivables	**2 111 079**	**2 674 507**

Current liabilities

in NOK 1,000	2020	2019
Trade payables	249 865	522 590
Trade payables intercompany	55 895	35 710
Total trade payables	**305 760**	**558 300**

Note 13 Short-term receivables and other current liabilities

Other short-term receivables

in NOK 1,000	2020	2019
Receivables, joint ventures	339 177	226 321
Joint venture overcall	197 548	593 514
Underlift	39 877	16 927
Crude storage	41 700	50 026
VAT receivable	28 337	14 801
Prepayments	40 377	18 948
Prepayments, joint ventures	90 555	115 184
Total other short-term receivables	**777 571**	**1 035 723**

Other current liabilities

in NOK 1,000	2020	2019
Other taxes and social security costs	100 078	96 386
Overlift	12 559	7 375
Accruals	179 914	151 653
Accruals, joint ventures	1 147 729	907 523
Other current liabilities	36 238	45 923
Abandonment	136 800	432 000
Total other current liabilities	**1 613 319**	**1 640 861**

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Note 14 Cash and cash equivalents

In NOK 1,000	2020	2019
Cash and cash equivalents, non-restricted	347 138	4 596
Tax withholding balance, restricted cash	66 753	64 366
Total Cash and cash equivalents	**413 891**	**68 961**

Note 15 Shareholders equity

Changes in equity

in NOK 1,000	Share capital	Share premium reserve	Other equity	Total
Equity at 1 Jan 2019	493 000	214 641	3 871 410	4 579 051
Dividend			-11 300 000	-11 300 000
Result for the year	-	-	8 849 804	8 849 804
Equity at 31 Dec 2019	**493 000**	**214 641**	**1 421 214**	**2 128 855**
Equity at 1 Jan 2020	493 000	214 641	1 421 214	2 128 855
Dividend			-3 290 000	-3 290 000
Result for the year	-	-	3 059 434	3 059 434
Equity at 31 Dec 2020	**493 000**	**214 641**	**1 190 648**	**1 898 290**

Share capital at 31 Dec:

	2020	2019
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 Energy Norway AS was founded on 24 Oct 2003 and is part of the Lundin Group.
100% of the shares in Lundin Energy Norway AS are owned by Lundin Energy Holding BV, Amaliestraat 3-5, 2514 JC Haag, Netherlands.
The Group 2020 Annual financial statements are available on the Group web site: www.lundin-energy.com.

Note 16 Guarantees and commitments

a) Provision for site restoration

Per 31 Dec 2020 the Company has recorded a provision for future decommissioning and removal cost of NOK 4,914.9 million (2019: NOK 5,012.3 mill).
In calculating the present value of the provision, a pre-tax discount rate of 3.5% (2019: 3.5%) was used, which is based on long-term risk-free interest rate projections adjusted for Lundin Energy credit risk. The change in net present value of NOK 180.3 million in 2020 is expensed under financial items (2019: NOK 157.2 million).
The effect of changes in estimates are capitalised under oil and gas assets.The provision is based on the Company's own evaluations and operators' estimate.

In NOK million	**2020**	**2019**
Accrued at 1 January	5 012,3	4 257,7
Accrued for the year	169,7	575,9
Changes in estimates	46,9	202,1
Disposal	-	-147,5
Used	-494,2	-33,2
Unwinding	180,3	157,2
Total site restoration at 31 December	**4 914,9**	**5 012,3**
Non-current	**4 778,1**	4 580,3
Current	**136,8**	**432,0**
Total	**4 914,9**	**5 012,3**

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	**2021**	**2022**	**2023**
Rig and vessel contracts	1 157 298	215 969	-
Total	**1 157 298**	**215 969**	**-**

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 54.4 million in 2019 (2019: NOK 52.6 milllion).
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 expires in March 2023, with an option to extend for 3 years at a time.
The Company's leasing costs for office properties, machinery and equipment in 2020 amount to NOK 54.6 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.

Note 17 Interest-bearing debt

In NOK 1,000	2020	2019
Long-term interest-bearing debt, group [1]	-17 458 694	-20 645 692
Capitalised loan fees [2]	209 225	390 959
Net Group receivables/(-payables)	**-17 249 469**	**-20 254 733**

1) In December 2020 the Company entered into intercompany loan agreement with Lundin Energy Holding BV. The intercompany agreement amounted to the corresponding NOK value of USD 3.300 billion (4.550 billion). In December 2020 the intercompany loan agreement was amended and restated due to improved borrowing terms. The interest rate margin has been reduced by about 0.9 percent point compared to the previous internal loan facility.

Drawdowns are translated to NOK at the date of drawdown. The loan agreement includes 3 term loans and one revolving credit facility in total USD 3.300 billion. USD 0.500 billion mature after 2 years, USD 0,500 billion after 3 years, USD 0, 500 billion after 4 years and USD 1,800 billion after 5 years.

2) Capitalized loan fees from the previous internal loan agreement has been expensed and fees for the new facility capitalized.

Note 18 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 15.
Lundin Energy 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.

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Note 19 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 20 Transactions with related parties

NOK 1.000
In 2020, the Company has been invoiced NOK 224.9 million from the parent Lundin Energy Holding BV for recharges and services in 2020 (2019: NOK 214.5 million), and have invoiced Lundin Energy Marketing SA NOK 19,694 million (2019: NOK 17,679 million) for sale of oil.
The Company is financed through intercompany loans from the parent. At 31 December 2020, the intercompany loan balance equalled NOK 17,459 million (at 31 December 2019: NOK 20,646 million). The interest charged for intercompany loans amounted to NOK 538.7 million in 2020 (2019: NOK 785.4 million).
Interest on intercompany loans are based on current USDLIBOR/EURIBOR/NIBOR 3 month and agreed margin of the prevous internal loan up to 16th December 2020. For the rest of 2020 the margin for each of the facilities have been paid.

Note 21 Investments in joint operations

License	Field/Discovery	WI [1] 31 December 2020	WI [1] 31 December 2019
PL 036 C		15,00 %	15,00 %
PL 088 BS		15,00 %	15,00 %
PL 148	BRYNHILD	51,00 %	51,00 %
PL 150	VOLUND	35,00 %	35,00 %
PL 167	LILLE PRINSEN	20,00% (40,00%)	20,00 %
PL 167 B		20,00% (40,00%)	20,00 %
PL 167 C		20,00% (40,00%)	20,00 %
PL 203	ALVHEIM	15,00 %	15,00 %
PL 229 E		50,00 %	-
PL 265	JOHAN SVERDRUP	7,38 %	7,38 %
PL 292	GAUPE	40,00 %	40,00 %
PL 292 B		40,00 %	40,00 %
PL 338	EDVARD GRIEG	65,00 %	65,00 %
PL 338 BS		50,00 %	50,00 %
PL 338 C	ROLVSNES	80,00 %	80,00 %
PL 338 DS		65,00 %	65,00 %
PL 338 E		80,00 %	80,00 %
PL 340	BØYLA & FROSK	15,00 %	15,00 %
PL 340 BS		15,00 %	15,00 %
PL 359	SOLVEIG	65,00 %	65,00 %
PL 492	GOTHA	40,00 %	40,00 %

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PL 501	JOHAN SVERDRUP	37,38 %	37,38 %
PL 501 B		37,38 %	37,38 %
PL 533		40,00 %	35,00% (40,00%)
PL 533 B		40,00 %	35,00% (40,00%)
PL 537	WISTING	10,00 %	-
PL 537 B		10,00 %	-
PL 609	ALTA	55,00 %	40,00 %
PL 609 B		55,00 %	40,00 %
PL 609 C		55,00 %	40,00 %
PL 609 D		55,00 %	-
PL 695		40,00 %	40,00 %
PL 722		20,00 %	20,00 %
PL 758		-	20,00 %
PL 764		-	40,00 %
PL 767		-	50,00 %
PL 767 B		-	50,00 %
PL 800		-	20,00 %
PL 815		60,00 %	60,00 %
PL 820 S	IVING	40,00% (41,00%)	40,00 %
PL 830		40,00 %	40,00 %
PL 850		-	30,00 %
PL 851		55,00 %	40,00 %
PL 853		-	60,00 %
PL 857		-	20,00 %
PL 859		-	15,00 %
PL 860		40,00 %	40,00 %
PL 869		20,00 %	20,00 %
PL 886		60,00 %	40,00% (60,00%)
PL 886 B		60,00 %	40,00% (60,00%)
PL 894		10,00 %	- (10%)
PL 896		30,00 %	30,00 %
PL 902		40,00 %	40,00 %
PL 902 B		40,00 %	40,00 %
PL 904		20,00 %	20,00 %
PL 914 S		1,39 %	1,39 %
PL 916		-	20,00 %

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PL 917	20,00 %	20,00 %
PL 917 B	20,00 %	-
PL 919	15,00 %	15,00 %
PL 921	-	15,00 %
PL 924	15,00 %	15,00 %
PL 926	10,00 %	10,00 %
PL 929	10,00 %	10,00 %
PL 934	40,00 %	40,00 %
PL 935	20,00 %	20,00 %
PL 936	30,00 %	30,00 %
PL 950	-	40,00 %
PL 952	-	50,00 %
PL 954	40,00 %	40,00 %
PL 960	20,00 %	20,00 %
PL 962	20,00 %	20,00 %
PL 965	60,00 %	60,00 %
PL 976	50,00 %	50,00 %
PL 981	60,00 %	60,00 %
PL 987	20,00 %	20,00 %
PL 987 B	20,00 %	-
PL 988	40,00 %	40,00 %
PL 989	30,00 %	30,00 %
PL 991	40,00 %	40,00 %
PL 998	30,00 %	30,00 %
PL 1011	40,00 %	40,00 %
PL 1023	50,00 %	50,00 %
PL 1027	40,00 %	40,00 %
PL 1029	40,00 %	40,00 %
PL 1032	40,00 %	-
PL 1041	30,00 %	-
PL 1045	15,00 %	-
PL 1048	50,00 %	-
PL 1051	40,00 %	-
PL 1057	60,00 %	-
PL 1069	50,00 %	-
PL 1082	50,00 %	-
PL 1083	40,00 %	-

1) Lundin Energy's working interest (%) with changes awaiting government approval per year end mentioned between brackets

Note 22 Subsequent events

In January 2021, drilling was completed on the Bask prospect in PL533B in the southern Barents Sea and was dry and will be expensed in 2021.

Note 23 Oil and gas reserves (not audited by EY)

The table below shows Lundin Energy Norway AS' estimated proved and probable oil and gas reserves (2P) and change in such estimates during 2020.
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 2019	**693,3**
Revisions, incl discoveries and extensions	39,3
Acquisitons and sales of reserves	0,0
Production of salable quantities in 2020	-61,6
Total calculated proved and probable reserves at 31 December 2020	**670,9**
The proved and probable reserves are attributable to the following fields:	
Johan Sverdrup	502,1
Edvard Grieg	112,8
Solveig	37,4
Rolvsnes EWT	2,4
Alvheim	11,6
Volund	3,0
Bøyla/ Frosk test producer	0,7
Ivar Aasen unit	1,0
Total	**670,9**

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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

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